



**THE HIRING INCENTIVES TO RESTORE  
EMPLOYMENT ACT**

On March 18, 2010, President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act into law. This \$17.5 billion Act provides tax incentives to encourage hiring.

**Social Security Tax**

A social security tax incentive is now available to employers who hire employees between February 4, 2010 and December 31, 2010. Employers may qualify for a 6.2 percent payroll tax incentive. This tax incentive amounts to roughly the cost of Social Security taxes on wages paid to these new employees. This incentive does not, however, relieve employers of their duty to continue to withhold Social Security taxes from wages paid.

**General Business Tax Credit**

In addition to the Social Security tax incentive available under the HIRE Act, employers also receive an additional general business tax credit. This tax credit provides up to \$1,000 per worker, provided the worker is retained for at least one year.

**Conditions Apply**

As with many tax incentives, conditions apply. Employees filling new positions clearly qualify. However, new employees filling existing positions may qualify for the tax incentive provided the prior employee who held that position left the job voluntarily or was terminated for cause.

Further, family members and other relatives of the employer are excluded. In addition, each qualifying employee must sign a statement certifying that he or she was unemployed or worked fewer than 40 hours during the 60 days prior to their hire date. Household employers are excluded. Finally, there is an income cap on the Social Security tax exemption. Employers who pay employees more than \$106,800 between March 18, 2010 and January 1, 2011 may only claim the tax exemption up to a maximum of \$106,800.

**Conclusion**

With the passing of the HIRE Act, employers wishing to expand their workforce are compensated through both a Social Security tax exemption, as well as a general business tax credit, for the 2010 tax year.

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Employers wishing to claim these tax credits should do so using federal employment tax return forms.

**For More Information**

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