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E-Newsletter Article

Business tax changes in the 2010 HIRE Act

by Todd Garrett

The Hiring Incentives to Restore Employment (HIRE) Act was enacted in February 2010. The Act provides several tax incentives for business owners.

Payroll tax holiday and up-to-\$1,000 credit for employers who hire unemployed workers.

The act creates a payroll tax holiday and an up-to-\$1,000 credit for private sector, higher education institutions and nonprofit employers who hire unemployed workers.

- The new law exempts any private sector employer that hires a worker who had been unemployed for at least 60 days from having to pay the employer's 6.2% share of the Social Security payroll tax on that employee for the remainder of 2010.
- This means a company could save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800—the maximum amount of wages subject to Social Security taxes—by the end of the year.
- An employer that keeps a qualifying employee on payroll for a continuous 52 weeks will receive a non-refundable tax credit of up to \$1,000 after the 52-week threshold is reached, to be taken on their 2011 tax return. The credit is equal to the lesser of: 1) \$1,000 or 2) 6.2% of eligible wages. Thus, the credit will be the maximum of \$1,000 if the employee is paid at least \$16,130.
- Only workers hired after Feb. 3, 2010 are qualifying employees for purposes of the payroll tax holiday and the retention credit.
- There is no minimum weekly number of hours that the new employee must work for the employer to be eligible, and there is no maximum on the dollar amount of payroll taxes per employer that may be forgiven.

There are certain limitations and requirements attached to claiming the incentives. These include:

- Employers are not able to claim both the payroll tax holiday and the Work Opportunity Credit (another credit available for wages paid to newly hired employees) for the same employee. In order to claim the Work Opportunity Credit the employer must elect out of the payroll tax holiday. This election may be made on an employee by employee basis.
- The credits are not available for family members that are hired.
- For the newly hired employee to qualify, he or she must sign an affidavit, under penalties of perjury, stating that he or she has not been employed for more than 40 hours during the 60-day period ending on the date the employment begins.

Extension of enhanced small business expensing (Section 179)

The HIRE Act also gives a one-year extension of the enhanced expensing rules allowed under the section 179 of the Internal Revenue Code, which allow qualifying businesses the option to currently deduct the cost of business machinery and equipment, instead of recovering through depreciation deductions.

- For tax years beginning in 2010, the maximum amount that a business may expense is \$250,000, and the expensing election begins to phase out when a business buys more than \$800,000 of expensing-eligible assets. These dollar limits are the same as those that were in effect for 2008 and 2009.
- Please note that, for the 2010 tax year Oregon has elected to revert to the lower \$125,000 (inflation adjusted) expensing limit that was in place for tax years prior to 2008. Therefore, businesses that elect to expense more than the inflation adjusted Oregon limit (133,000 in 2009) of eligible fixed assets under section 179 limit for Federal tax purposes will have an add back to Oregon taxable income equal to the amount expensed in excess of the Oregon limit, less the depreciation allowed by Oregon on that excess amount. In addition, while Federal law continues to allow bonus depreciation deductions in 2010, Oregon has also removed this option for State tax purposes.

View copy of the IRS Form:

[W-11 "Hiring Incentives to Restore Employment \(HIRE\) Act Employee Affidavit](#)