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President Obama Signs HIRE Act 03/18/2010

On March 18, 2010, President Obama signed the Hiring Incentive to Restore Employment Act (HIRE Act), also referred to as the Jobs Bill. This bill provides significant tax credits to businesses that hire unemployed workers.

Employer Exemption of 6.2% Social Security Payroll Contribution

The HIRE Act provides for employer tax credits totaling \$18 billion, in addition to \$20 billion available in funding for highway and transit programs. At its core, the bill grants employers an exemption for their 6.2% Social Security (FICA) payroll contribution for every new employee hired after February 3, 2010, and before January 1, 2011. The exemption is granted up to the FICA wage cap, \$106,800. This means employers could save a maximum of \$6,621 if they hired an unemployed worker and paid that worker at least \$106,800 by the end of the year. On a different scale, if an employer paid an employee \$53,400, it could save a maximum of \$3,310.

To qualify, a worker must certify by signed affidavit that he or she has not been employed more than 40 hours during the preceding 60-day period, is not being employed to replace another employee (except one who quit voluntarily or was fired for cause), and is not "related" to the employer under rules set forth in the U.S. tax code.

Starting March 19, 2010, the exemption will be applied to wages. To ease IRS implementation of the payroll tax exemption, the allowable exemptions from payroll taxes for the first calendar quarter of 2010 under the HIRE Act will be treated as an advance payment of taxes owed for the second calendar quarter.

Additional \$1,000 Tax Credit Available

An additional \$1,000 income tax credit is available to employers for every new employee retained for 52 weeks, to be taken on the employer's 2011 income tax. To qualify, the wages paid to the employee during the last 26 weeks must be at least 80% of wages paid for the first 26 weeks.

If you need assistance drafting an affidavit for your company or have any questions about the HIRE Act, please contact the Seyfarth Shaw attorney with whom you work, or any Labor and Employment attorney on our website.

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