

DEO, LAMANNA, DEO & CO., PC
Certified Public Accountants
www.dldcpa.com

Patrick J. Deo, CPA, Cr.FA
pat@dldcpa.com
Anthony LaManna, CPA
tonyl@dldcpa.com
Michael J. Deo, CPA
miked@dldcpa.com

CLIENT ALERT

HIRING THE UNEMPLOYED GIVES TAX BENEFITS

Two new tax benefits are now available to employers hiring workers who were previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment (HIRE) Act enacted into law on March 18, 2010.

Employers who hire unemployed workers after February 3, 2010 and before January 1, 2011 may qualify for a 6.2 percent payroll tax incentive, in effect exempting them from their share of Social Security taxes on wages paid to these workers after the date of enactment. This reduced tax withholding has no effect on the employee's future Social Security benefits, and employers still need to withhold the employee's 6.2 percent share of Social Security taxes, as well as income taxes. The employer and employee's shares of Medicare taxes still apply to these wages.

In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 tax returns.

The new law requires that the employer get a statement from each eligible new hire certifying that he or she was unemployed during the 60 days before beginning work or, alternatively, worked fewer than a total of 40 hours for someone else during the 60 day period. The Internal Revenue Service has developed a Form W-11 for employees to use to make the required statement.

Eligible employers will be able to claim the new tax incentive on their revised employment tax form for the second quarter of 2010. A draft of the revised Form 941 and further details on these two new tax provisions have been posted on the IRS website at www.irs.gov.

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CORRESPONDENCE TO:
One Indian Road, Suite 3
Denville, New Jersey 07834
(973) 983-8880
Fax: (973) 983-8228

5 Cold Hill Road
Mendham, New Jersey 07945
(973) 543-2480