



# Eye On Washington

## FEDERAL HIRE ACT

Eye On Washington is ADP's business legislative update designed to provide timely information on potential and enacted legislation that impacts employers from a payroll, tax and compliance perspective.

**P**resident Obama has signed into law the **Hiring Incentives to Restore Employment (HIRE) Act**, which is focused on accelerating the hiring of unemployed workers.

The HIRE Act has many provisions that impact employers, including a payroll tax exemption and increased tax credits for employers that meet certain eligibility requirements. The legislation immediately enhances employers' cash flow by permitting employers to retain the employer portion of the Social Security tax ordinarily remitted.

### Social Security Tax Exemption

The 6.2% Employer Social Security Tax exemption applies to previously unemployed individuals hired after February 3, 2010 who have worked less than 40 hours during the 60-day period prior to employment and whose 2010 earned wages after March 18, 2010 and before January 1, 2011 do not exceed \$106,800.\*

- Employers can save the 6.2% Employer Social Security Tax, whether they hire a \$40,000 worker or a \$90,000 worker. Employers, including nonprofit organizations, and colleges and universities, would not have to wait until 2011 to benefit from this tax relief because savings would accrue with each payroll processed.
- The legislation also encourages businesses to hire workers earlier in the year because the tax benefit will be greater. For example, a \$60,000 worker hired on April 1, 2010 saves an employer about \$2,800 in taxes. Delaying the hiring until June 1 would reduce the savings to about \$2,200.
- This exemption has no cap or limit as to the total amount of tax benefits that can be claimed by an employer. Employers can save up to \$6,622 per qualifying worker, whether they hire one worker or hundreds of new workers.

### Tax Credit

Employers will receive an income tax credit which is either \$1,000 for each qualifying worker hired after February 3, 2010, and employed for at least 52 consecutive weeks, or 6.2% of wages paid to the qualifying worker over the 52-week period, whichever is less. Wages during the last 26 weeks must be at least 80 percent of wages paid for the first 26 weeks.

- Any new hire must certify "by signed affidavit," under penalties of perjury, that he/she has "not been employed for more than 40 hours during the 60-day period ending on the date such individual begins such employment."
- Neither the 6.2% Employer Social Security Tax exemption nor the retention tax credit is permitted if a person is hired to replace another employee "unless such other employee is separated from employment voluntarily or for cause."

ADP is committed to obtaining the most current information on legislation impacting employers to ensure that our payroll and tax credit solutions remain compliant with the changing laws. As an ADP client, you can count on us to provide services that help you understand and take advantage of complex employment-related tax credits, as outlined above.

Please be sure to bookmark our Eye On Washington web page, [www.adp.com/jobtaxcredit](http://www.adp.com/jobtaxcredit), as we will provide updates as the situation evolves.

As part of our continued commitment to service our clients, ADP adapted our payroll system to accommodate the need to capture this incentive by eliminating the employer-paid component of the applicable Employer Social Security Tax.

For more information on ADP's Tax Credit outsourced solution, please call (888) 5 ADP SAVE – (888)-523-7728 or click here for further details.\*\*

\*The 6.2% Employer Social Security Tax exemption applies to previously unemployed individuals hired after February 3, 2010 who have worked less than 40 hours during the 60-day period prior to employment and whose 2010 earned wages after March 18, 2010 and before January 1, 2011 do not exceed \$106,800. If an otherwise qualifying individual earns more than \$106,800, then the Employer Social Security Tax exemption only applies to the first \$106,800 of qualifying wages. Other conditions may apply. The information above is provided solely as a courtesy and should not be construed as legal advice. Automatic Data Processing, Inc. (NASDAQ: ADP), with nearly \$9 billion in revenue and about 570,000 clients, is one of the world's largest providers of business outsourcing solutions. Leveraging 60 years of experience, ADP offers the widest range of HR, payroll, benefits administration, and tax and compliance solutions from a single source. \*\*ADP's Tax Credit Outsourced Screening Solution is designed for any ADP Tax Credit Services client; any ADP National Accounts client or prospect with greater than 1,000 employees; and any ADP Major Accounts payroll client with between 50 to 999 employees who will hire 200 or more employees this year.

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