The Hiring Incentives to Restore Employment Act of 2010 (HIRE Act)

Recently, President Obama signed into law the Hiring Incentives to Restore Employment Act ("HIRE" or the "Act"). HIRE provides tax credits and incentives for employers in order to promote job growth and capital investment. This legislation impacts companies of all sizes. The following benefits are available to qualifying companies:

Payroll Tax Exemption
Under the Act, when an employer hires a "qualified employee," the employer is not required to pay the employer portion of Social Security taxes in 2010 for that employee, typically an amount equal to 6.2% of qualifying wages. A "qualified employee" is one who:

- is hired after February 3, 2010 and before January 1, 2011;
- is not hired to replace another employee;
- is not related to the employer nor owns a direct or indirect 50% ownership interest in the hiring business; and
- certifies under penalty of perjury that he or she has not been employed for more than 40 hours during the 60-day period that ends on the date that employment begins with the new employer.

This exemption can save an employer over $6,000 annually for each qualified employee that is hired. Under certain circumstances, if an employer retains an employee for at least 52 weeks, the employer may also be able to receive an additional tax credit in 2011 equal to the lesser of $1,000 or 6.2% of the wages paid to an employee for those 52 weeks. Qualified employees must certify their eligibility by completing the new Form W-11, known as the "Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit." In addition, employers may offset payroll tax deposits normally due beginning on or after April 1 with the exempted amounts in order to facilitate the application of this benefit.

Section 179 Expensing limits
HIRE also extends the higher deduction levels for qualifying asset purchases that were otherwise expected to sunset in 2009. Section 179 deductions up to $250,000 for qualifying property will be available in 2010. Qualifying property continues to include off-the-shelf computer software. In order to elect Section 179 expensing, purchases must be made in tax years beginning after December 31, 2009 and before January 1, 2011.