CLIENT ALERT ARMSTRONG TEASDALE LLP

March 2010

The Hire Act

President Obama signed the much anticipated Hiring Incentives to Restore Employment Act (the “HIRE Act”) into law on March 18, 2010. The HIRE Act was designed to stimulate the hiring and retention of new employees, but it also provides other business incentives and revenue raisers. This is a listing of the most salient tax provisions of the HIRE Act:

HIRING INCENTIVES

Payroll Tax Forgiveness. Employers are exempt from payroll taxes for the remainder of 2010 for qualified employees that are hired February 3, 2010, through December 31, 2010. A qualified employee is an individual who has been unemployed for at least 60 days.

Retention Credit. Employers are eligible for a credit for each retained employee hired in 2010. A retained employee must be employed for at least 52 weeks and receive wages during the last 26 weeks equal to at least 80 percent of wages for the first 26 weeks. The credit is the lesser of $1,000 or 6.2 percent of wages during the 52 week period.

PROVISIONS FOR BUSINESSES

Increased Depreciable Property Expense. Businesses can now expense $250,000 of depreciable business property placed in service during 2010, an increase from $125,000. The allowance is phased out starting at $800,000, an increase from $500,000.

Build America Bonds. The Build America Bond program allows state and local governments to issue taxable bonds to finance capital expenditures for which the issuer could otherwise issue tax-exempt bonds. In exchange, the holders are allowed tax credits or the issuers receive refundable tax credits. The program is expanded to cover bonds used for school construction and energy-related projects. Issuers of these bonds receive refundable tax credits equal to 65 percent of the interest paid.

REVENUE RAISERS

Increased Disclosure of Foreign Assets.

- A withholding penalty is imposed on any foreign financial institution that fails to comply with reporting and withholding requirements of a U.S. sourced account.
- A penalty is imposed on any U.S. citizen who holds an interest in a specified foreign financial asset that fails to properly disclose.
- A penalty is imposed on any U.S. citizen who is an owner of a foreign trust that fails to properly disclose.
- A penalty is imposed on any U.S. citizen who is a shareholder of a passive foreign investment company that fails to properly disclose.

Increased Corporate Estimated Tax Payments. Corporations with assets of $1 billion or more shall increase their estimated tax payments for the third quarter of 2014, 2015, and 2019 to 157.75 percent, 121.5 percent, and 106.5 percent of the amount otherwise due, respectively.

For more information about any of these provisions, please contact an attorney in the Armstrong Teasdale Tax Department:

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