

HIRE Payroll Tax Credit

The **Payroll Tax Exemption** allows employers to exempt the 6.2% social security tax on wages paid to qualifying employees, effective on wages paid from March 19, 2010 through December 31, 2010. Employees must still pay social security tax, and both employers and employees must still pay Medicare tax. Business and tax-exempt organizations are eligible for this exemption.

The Payroll Tax Exemption is claimed by submitting IRS Form 941 with the employer's federal tax return, beginning in the second quarter. Employers may claim any employees who began employment on March 19, 2010 in the second quarter tax filing.

The **New Hire Tax Credit** provides employers with up to \$1,000 for employing a qualified worker for at least 52 consecutive weeks, providing that the employee's salary does not decrease significantly in the second half of the year. The amount of the credit is the lesser of \$1,000 or 6.2% of the employee's wages. The New Hire Tax Credit will be claimed on the employer's 2011 federal tax return.

Who is a Qualifying Employee? Qualifying employees are individuals who begin employment with a qualified employer after February 3, 2010, and before January 1, 2011, who have been unemployed or employed for less than 40 hours during the 60-day period ending on the date that employment begins, and who are not family members of or related in certain ways to the employer.

Information on this tax credit will be included in the Summer UC mailing to employers, and more information will also be posted on the workforce website.

Thanks -

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