



April 22, 2010

To: All Ahola Clients

Subject: **HIRE Act Update**

On March 18, 2010 President Obama signed into law the HIRE Act. The HIRE Act is designed to encourage companies to increase staff through two tax incentives. The two tiered tax incentives are the following:

- A limited social security tax holiday for the employer share of social security tax on wages paid to a previously unemployed new hire.
- A separate business tax credit of up to \$1,000 if the employee is employed for at least 52 consecutive weeks.

Social Security Holiday

The Act provides relief from the employer share of social security tax, which is 6.2% of covered wages up to \$106,800 on wages paid by a “qualified employer” to a “qualified individual” from March 19 (the day the Act was enacted) through December 31, 2010. Wages paid to a qualified individual before March 19 or after December 31, 2010 do not qualify for the credit. The credit is applied on the check date and not when the payroll was earned.

Example: Sally is paid weekly and worked December 27th to December 31st and was paid on January 7, 2011. The credit does not apply.

Qualified Employer

A qualified employer is broadly defined as any employer other than the United States, a state or local government.

Businesses, agricultural employers, tax exempt organizations, and public colleges and universities all qualify to claim the credit for eligible newly hired employees. Household employers do not qualify to claim this new tax benefit.

The qualifications for a new hire and the new IRS form W-11 are continued on the following pages.

This information and IRS frequently asked questions can be found on our home page at www.ahola.com.



Qualified Individual

Attached is an IRS form W-11. This is the form you will use to claim the employers share of Social Security Taxes. This form certifies that you have hired an eligible employee.

An eligible employee is any employee who:

- Begins employment with a qualified employer after February 3, 2010 and before December 31,2010.
- Certifies in a signed affidavit IRS form W-11 under perjury, that the individual has not been employed for more than 40 hours during the 60-day period ending on the day the individual begins work for the new employer.
- Is not employed to replace another employee unless the other employee left employment voluntarily or was terminated for cause.
- Is not a family member or related to the employer or to anyone owning 50% or more of the stock or other capital of the employer.

The IRS has stated that employees who are rehired by the same employer would qualify if they meet the same qualifications as a new hire. Seasonal employees also qualify if they meet the qualifications.

IRS form W-11

The IRS form W-11 is the form Ahola will use to identify qualified employees and to calculate the Hire Act credit. We have added a few additional fields that will help us expedite the processing of the credit. Any information that is missing from the IRS section or the additional information will be returned to the employer for correction.

The original W-11 is kept by the employer. A copy of the W-11 is sent to Ahola via e-mail, fax or mail. It is your responsibility to make sure the employee understands under penalties of perjury that he or she is liable if they did not comply with the affidavit regulations.

The IRS will modify the 941, 944 and 943 forms along with the W-2 and W-3. The first and second quarter 2010 credit will be entered as a refund on your second quarter 941.

Thank you for being an Ahola Client.

Marja, Mark, Scott and Jeff