

# Tax Breaks for Hiring New Employees



Employers are exempted from paying the employer 6.2% share of Social Security (i.e., OASDI) employment taxes on wages paid in 2010 to newly hired qualified individuals. These are workers who: (1) begin employment with the employer after February 3, 2010 and before January 1, 2011, (2) certify by signed affidavit, under penalties of perjury, that they haven't been employed for more than 40 hours during the 60-day period ending on the date the individual begins employment with the qualified employer; (3) do not replace other employees of the employer (unless those employees left voluntarily or for cause), and (4) aren't related to the employer under special definitions. The payroll tax relief applies only for wages paid from March 19, 2010 through December 31, 2010.

Employers may qualify for an up-to-\$1,000 tax credit for retaining qualified individuals. The workers must be employed by the employer for a period of not less than 52 consecutive weeks, and their wages for such employment during the last 26 weeks of the period must equal at least 80% of the wages for the first 26 weeks of the period.

The IRS has issued guidance on these tax breaks in the form of frequently asked questions. They carry valuable information on the subjects such as the scope of the exemption, how it interacts with other tax breaks, and when an employer must receive the employee's certification of former unemployment status. For example, the IRS explains that the exemption and credit can be claimed for a new employee replacing a downsized employee.

<http://www.irs.gov/businesses/small/article/0,,id=220747,00.html>

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