

Duvall & Associates, Inc.

Taking Care of Business

TAX BREAKS FOR NEW HIRES

"Money for nothin' and the chicks for free." Dire Straits

Thanks to a law passed in 2010, companies can receive payroll tax credits for eligible new employees hired after February 3, 2010 and before January 1, 2011.

Eligible employees must sign a new Form W-11 certifying that they were not employed for more than 40 hours during the contiguous 60-day period ending on the date of new employment. Students hired may be eligible for the credit.

For eligible new employees hired - there are no minimum requirements for age, hours worked or term of employment.

Eligible employees must not have been hired to replace a prior employee unless the prior employee voluntarily quit or was fired with cause (including lay-offs).

EXAMPLE - Landscape Company laid off 10 workers in November due to lack of work. March, 2010 Landscape hired back all 10 workers. A good argument exists that Landscape can receive the new payroll benefit for all 10 "new" employees.

The company tax benefit amounts to a credit for the employer portion of FICA normally due on the eligible employees' payroll (or 6.2% of the wages) paid after March 19, 2010. The credit can be claimed as payroll deposits are made and/or the quarterly Form 941.

On an employee-by-employee basis, a company may elect to claim either (1) this payroll credit or (2) the Federal Work Opportunity Credit.

Each employee retained for 52 consecutive weeks may also earn employers up to \$1,000 additional retention credits, provided certain wage levels are maintained.

Businesses which have not previously taken advantage of available credits still have the opportunity to amend prior year returns. And don't forget about the \$1,000 per eligible worker retention credits available in 2011.

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