

# Duvall & Associates, Inc.

## Business Advisor Newsletter

### THE GREAT AMERICAN GIVEAWAY!

America gave us CASH FOR CLUNKERS. Next up was a free down-payment for your new house. And now - tax breaks for new hires! It must be an election year.

Thanks to a new tax law, 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.

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

This is bad law - since employers only hire if work is available - not to get tax credits. But the Act may influence WHO is hired - and we'll take the money and run.

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

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