

This letter is to provide details on the recently enacted "Hiring Incentives to Restore Employment Act of 2010," (the HIRE Act) which was signed into law on March 18, 2010. The Act creates a "payroll tax holiday" for employers who hire qualified unemployed workers and an additional credit if these new hires are retained for at least one year.

The payroll tax holiday applies only to the 6.2% employer portion of the social security tax of qualified new hires wages paid beginning March 19, 2010 and ending December 31, 2010. A qualified employee is anyone that 1) begins employment after February 3, 2010 and before January 1, 2011, 2) certifies by signed affidavit, that he/she hasn't been employed for more than 40 hours in the last 60-day period, 3) isn't employed to replace another employee, unless the other employee separated voluntarily or for cause, and 4) isn't related to the qualified employer.

An employer may qualify for the payroll tax holiday when hiring new workers and rehiring old workers due to increased demand. However, an employer who terminates an employee without cause in order to claim the payroll tax holiday for hiring the same or another employee doesn't qualify.

The credit can be claimed on the 941 beginning the second quarter of 2010. However, employers will not lose any first quarter credit, as it will be allowed in the second quarter. The IRS has stated that more detailed guidance and revised forms will be available in the next few weeks.

In addition to the payroll tax holiday, employer's who retain these qualified workers (as defined above) for at least 52 consecutive weeks are eligible for an up-to-\$1000 credit per qualified worker. The amount of the credit is the lesser of \$1000 or 6.2% of the wages paid to the employee during the 52 week period. For a company on a calendar tax year, this credit will be claimed on its 2011 tax return. Certain carryback and carryforward restrictions and limits apply.

We hope that you find this letter helpful and look forward to your questions regarding the HIRE Act.

Very truly yours,

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