

The Bankler Report

March 30, 2010

INTRODUCTION

This week the IRS announced that it is working on revisions to Form 941 Employer's Quarterly Federal Tax Return. These changes are necessary due to the recent enactment of the "Hiring Incentives to Restore Employment Act" (HIRE Act).

Employer Payroll Tax Holiday

Effective February 4, 2010, employers who hire unemployed citizens will receive a payroll tax credit equal to the matching 6.2% Social Security (FICA) Tax for the rest of 2010. The effect is that employers will not have to pay the matching Social Security Taxes. To be eligible, the new hire must have been unemployed for at least 60 days, and not be a replacement hire.

Qualifying Employees

1. begins work for a qualified employer after 2/3/2010 and before 1/1/2011;
2. certifies by signed affidavit (under penalties of perjury) that he was employed for a total of 40 hours or less during the 60-day period ending on the date the employment begins;
3. is not employed to replace another employee of the employer unless that former employee separated from employment voluntary, or for cause; **AND**
4. is not related to the employer.

PAYROLL TAX RELIEF IS FOR WAGES PAID 3/19/2010 TO 12/31/2010 ONLY!

Claiming the exemption

The exemption earned for the period from 3/19/10 to 3/31/10 may **NOT** be claimed on the first quarter Form 941. The **FULL** payroll tax liability (including the exempted taxes) **MUST** be timely deposited. The benefit that employers would have received in the first quarter of 2010 should be claimed on the first deposit of the **second** quarter.

Steven Bankler, CPA 9901 IH 10 W, Suite 670 San Antonio TX 78230 (210) 691-3133
steven@bankler.com www.bankler.com Fax (210) 691-3233