



## **HIRE Act Provides Valuable Tax Incentives to Businesses**

The Hiring Incentives to Restore Employment (HIRE) act, signed into law March 18, provides tax incentives for hiring and retaining workers and purchasing equipment and many other business assets.

### **Payroll tax forgiveness**

This essentially exempts qualified employers (generally employers other than government entities) from having to pay the 6.2% Social Security portion of Federal Insurance Contribution Act (FICA) taxes on certain new hires through the end of the year. To qualify, a worker must be hired after Feb. 3, 2010, and before Jan. 1, 2011, and must have been unemployed (defined as not having worked more than 40 hours) for the 60-day period ending on his or her start date.

### **Retention credit**

This credit applies to workers who qualify for payroll tax forgiveness if they are retained for 52 consecutive weeks. The tax savings per qualified retained worker are equal to the lesser of 6.2% of the wages paid to the worker in 2010 or \$1,000.

### **Sec. 179 expensing**

The HIRE act extends the increase in the Section 179 limit for initial year expensing to \$250,000 (from \$134,000). The Sec. 179 expensing election allows a current deduction for newly acquired assets that otherwise would have to be depreciated over a number of years. The HIRE act also extends the increase in the threshold at which the expensing election begins to phase out to \$800,000 (up from \$530,000). The higher limits apply for calendar year 2010 or a business's fiscal year that begins in 2010. A business can claim the expensing election only to offset its net income, not to reduce net income below zero.

### **Other provisions**

The HIRE act includes additional provisions that may be of interest to you, such as:

- A new election to convert tax credit bonds to Build America Bonds,
- Extension of highway and transit programs through 2010,
- Strengthening of foreign account tax compliance, and
- Deferral of implementation of "worldwide allocation of interest" to 2020.

Various changes to estimated tax payment requirements for certain large corporations also were included in the act, but they don't go into effect until 2014 or later.

### **Many rules apply**

These breaks might provide your business with valuable tax savings, but many rules apply to them. So please contact us for the details before acting.