

# Federal HIRE Act



## ADP Helps Clients Stay Compliant and Maximize Job-Creation Incentives Included in the Federal HIRE Act

### About the Federal HIRE Act

President Barack Obama has signed into law the Hiring Incentives to Restore Employment (HIRE) Act, which is focused on job creation. The primary focus of the legislation is to accelerate the hiring of unemployed workers, rather than provide a tax benefit for any increase in payroll. This approach is expected to be more cost-effective for the federal government at a time of record budget deficits.

The HIRE Act has many provisions that impact employers, including a payroll tax exemption that reduces employer-paid payroll taxes, and increased income tax credits for employers whose workers meet certain eligibility requirements. The legislation immediately enhances employers' cash flow by permitting employers to retain their portion of the Social Security tax ordinarily remitted for qualifying new employees.

### The Specifics

The Hiring Incentives to Restore Employment (HIRE) Act offers businesses a payroll tax exemption and tax incentives. Specifically it:

- Eliminates the current 6.2 percent Employer Social Security Tax for eligible new hires, generating immediate savings that will positively impact an employer's bottom line.\*
- Incentivizes businesses to hire workers earlier in the year because the tax benefit will be greater. For example, a \$60,000 worker hired on April 1 saves an employer about \$2,800 in taxes. Delaying the hiring until June 1 would reduce savings to about \$2,200.
- Requires, as a condition of the employer receiving HIRE Act tax benefits, any new hire to certify his/her previous employment status by signed affidavit.
- Affords companies a significant income tax credit once the worker is employed for at least 52 consecutive weeks. The employer will receive either \$1,000 per qualifying worker, or 6.2% of wages paid to the qualifying worker over the 52-week period, whichever is less.

While these measures are certainly welcome by employers, staying compliant in this complex and quickly changing business environment is an additional administrative task for companies of all sizes. As part of ADP's commitment to provide our clients with world-class service, we monitored the status of the legislation and quickly implemented specific statutory and other compliance requirements to assist clients who are eligible to benefit from the incentives.

## ADP's Solution

As part of our continued commitment to service our clients, ADP adapted our payroll system to accommodate the need to capture this incentive by eliminating the employer-paid component of the applicable Social Security tax.

In addition, for companies who do not want to be burdened with the administrative and compliance requirements of the HIRE Act legislation, ADP offers an outsourced solution through ADP's Tax Credit Services (TCS) Business.\*\* ADP's offering includes:

- **Pre-Selection** – ADP screens new hires to identify eligible employees.
- **Employee Affidavits** – ADP offers convenient options for new hires to complete the certification-by-affidavit process.
- **Report Eligibility** – ADP provides daily reports of the employees who are eligible.
- **Compliance Support** – ADP runs regular compliance reports to help ensure eligible new hires complete the affidavit process.
- **Documentation and Audit Support** – ADP houses and maintains all employee certification documentation and assists clients in responding to related audits.
- **Tax Credit Administration** – ADP notifies clients of the availability of the \$1,000 per qualified employee new-hire income tax credit after the eligible employee completes 52 weeks of employment.

ADP has a long history of providing clients with expert assistance related to tax credits and incentives, including the administration of time-sensitive legislative programs like the Katrina Tax Credit, the Gulf Zone Opportunity Tax Credit, and more. Over the years, ADP has helped generate billions of dollars in tax credit savings for our clients. ADP is uniquely positioned to help clients stay compliant and maximize the job-creation incentives included in the Federal HIRE Act.

**For more information, please call (888) 5 ADP SAVE (888-523-7728) or visit [www.ADP.com](http://www.ADP.com).**

## Today ADP:

- Serves about 570,000 clients around the globe
- Pays 1-in-6 U.S. workers and 31 million people worldwide
- Electronically moved over one trillion dollars in client tax, direct deposit and related client funds in fiscal 2009
- Is one of only a handful of U.S. industrial companies to be triple A-rated by both Standard & Poor's and Moody's
- Delivers world class service resulting in over 90% client retention and an average tenure of more than 10 years
- Ranked #1 in the Financial Data Services industry category in *Fortune* magazine's World's Most Admired Companies (2010)

---

\*The 6.2% Employer Social Security Tax exemption applies to previously unemployed individuals hired after February 3, 2010 who have worked less than 40 hours during the 60-day period prior to employment and whose 2010 earned wages after March 18, 2010 and before January 1, 2011 do not exceed \$106,800. If an otherwise qualifying individual earns more than \$106,800, then the Employer Social Security Tax exemption only applies to the first \$106,800 of qualifying wages. Other conditions may apply.

\*\* ADP's Outsourced Tax Credit Screening Solution is designed for any ADP Tax Credit Services client; any ADP National Accounts client or prospect with greater than 1,000 employees; and any ADP Major Accounts payroll client with between 50 to 999 employees who will hire 200 or more employees this year.

The information above is provided solely as a courtesy and should not be construed as legal advice.

