



## **Important Tax Planning Opportunities and Concerns for Business Owners**

As you may have heard, Congress recently enacted numerous tax law changes. Some of these changes will most certainly affect your business. Several of these modifications are already in effect, and many more are yet to come. Salmon Sims Thomas will be here to guide you every step of the way. Below is a brief synopsis of the major tax planning opportunities and concerns.

### **Hiring Incentives to Restore Employment Act (HIRE)**

HIRE was signed into law on March 18, 2010. This act provides several potential tax breaks to businesses, as follows:

A Payroll Tax Holiday is available for businesses who hire qualified employees after February 3, 2010 and before January 1, 2011. The employer portion of OASDI tax (6.2%) on newly hired qualifying unemployed workers does not have to be paid on wages paid after March 18, 2010 and before January 1, 2011. There are no minimum or maximum hours required to be worked by the employee. The maximum amount allowed for each qualified employee is \$6,621.

A qualified employee must not have been employed for more than 40 hours during the 60-day period ending on his or her hire date. He/she cannot displace a current employee unless the current employee voluntarily quit or was dismissed for cause. Neither a relative of the employer, nor a person who owns 50% (either directly or indirectly) of the business qualify for this credit.

Employees must complete and sign Form W-11 (see attached copy) to verify that they meet the qualifications that enable the employer to take the credit. Form 941 has been updated for employers to claim the credit beginning in the second quarter of 2010.

A Retained Worker Credit of up to \$1,000 is available for each newly hired qualified unemployed employee (as defined above). Each worker must be employed for at least 52 consecutive weeks. The 52 week period is divided into two segments. To qualify, the wages paid in the second 26 weeks must be at least 80% of the wages paid during the first 26 weeks. Any unused worker credit cannot be carried back, but can be carried forward. No guidance has been released regarding the carry forward period, but it is expected to be the same as other general business credits (20 years).

If you have any questions regarding these or other tax credits, please contact one of our tax specialists listed below to arrange a consultation regarding these new tax planning opportunities.

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