

Update: August 2010

Tax Intelligence

Tax Credits and Incentives - New HIRE Act State Piggyback Programs

Situation

According to the US Treasury Department, from February to June, businesses hired 5.6 million new workers who had been unemployed for eight weeks or longer. The report concludes that those businesses who hired the unemployed workers are eligible to receive up to a projected \$10.4 billion in Hiring Incentives to Restore Employment (HIRE) Act tax exemptions and credits. The HIRE Act has given employers an incentive to accelerate hiring this year due to the payroll tax exemption expiring at the end of 2010.

As Congress continues to see the need to create new jobs, many states have taken a proactive approach to creating new legislation to piggyback the Hiring Incentives to Restore Employment (HIRE) Act. States have enacted programs that will allow the employer to piggyback the HIRE Act for additional benefit based on hiring a qualified HIRE Act employee. The piggyback programs not only provide businesses with additional incentives to increase employment but will also help boost the economy by benefiting employers and employees at both the state and federal level.

Solution

The Alabama Reemployment Act of 2010 and the Florida Jobs for the Unemployed Tax Credit are the most recent bills passed to "piggyback" the federal government HIRE Act. The two new state programs have similar HIRE Act payroll tax exemption requirements, but they also include additional state requirements. The new programs resulting from the HIRE Act, will allow companies of all sizes to benefit from hiring employees.

Alabama Reemployment Act of 2010

The Reemployment Act of 2010 provides a deduction of up to 50% of the gross wages paid to employers for hiring a person who, at the time of employment, was drawing unemployment compensation or whose unemployment benefits had expired at the time the employee was hired. The new employee must be hired to work full-time, for an average of 37.5 hours per week and must be paid at least \$10 per hour. The starting date for the employee to qualify is the hire date, and the employee must be continuously employed by the employer for 12 months before the deduction can be claimed. When the employee has been continuously employed for 12 months, the employer may claim the non refundable deduction, one time per employee, on either the employer's 2011 or the employer's 2012 income tax return (for an employee hired during 2010 or 2011).

Florida Jobs for the Unemployed Tax Credit

A new or existing business that is a qualified targeted industry may be eligible for a \$1,000 tax credit for hiring a new employee who is unemployed. The program tax-credit cap is \$5 million in FY 2011-12 and \$5 million in FY 2012-13 and will be distributed on a first-come, first-served basis. A "qualified employee" must have been out of work at least 30 days prior to being hired by the eligible business, hired by the eligible business on or after July 1, 2010, exceed wages of 185% of the Federal poverty rate, work for the business on a regular, full-time basis for an average of at least 36 hours per week and for at least 12 months before the eligible business owner files for the tax credit and has not been previously claimed by the eligible business for a tax credit under this program.

Value

TALX will continue to monitor all programs and provide updates on new or pending programs. If your company is interested in receiving more information on the new HIRE Act state piggyback programs or any other piggyback programs, please visit our corporate blog at <http://blog.talx.com/> or contact Pete Krieshok at (314)214-7325, or via email at pkrieshok@talx.com.