

# Federal HIRE Act



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

### About the Federal HIRE Act

The Hiring Incentives to Restore Employment (HIRE) Act was passed by the Senate on February 24, 2010. Its primary focus is on job creation and accelerating the hiring of unemployed workers, rather than providing 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 is expected to become law in the near future, but it still needs to be passed by the House of Representatives and signed by President Obama.

The HIRE Act has many provisions that impact employers, including a payroll tax exemption. The payroll tax exemption includes reduced payroll taxes and increased tax credits for employers that meet certain eligibility requirements. The legislation immediately enhances employers' cash flow by permitting employers to retain that portion of the Social Security tax ordinarily remitted.

### The Specifics

The Hiring Incentives to Restore Employment (HIRE) Act offers businesses welcome 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 a business' bottom-line.
  - Businesses are incentivized to hire workers earlier in the year because the tax benefit will be greater. For example, a \$60,000 worker hired on March 1 saves an employer about \$3,100 in taxes. Delaying the hiring until May 1 would reduce savings to about \$2,500.
- Requires any new hire to certify his/her previous employment status by signed affidavit.
- Affords companies a significant business credit of \$1,000 per qualifying worker once the worker is employed for at least 52 consecutive weeks.

While these measures will certainly be 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 are monitoring the legislation and will quickly implement specific statutory and other compliance requirements to assist all clients who are eligible to benefit from the incentives.

## ADP's Solution

As part of our continued commitment to add value to our clients, ADP is adapting our payroll system to accommodate our clients' need to capture this Jobs-Creation incentive through suppressing the employer component of the FICA tax.

In addition, for companies who do not want to be burdened with the administrative and compliance requirements of the HIRE Act legislation, ADP will offer an outsourced solution through ADP's Tax Credit Services (TCS) business. ADP's full-service end-to-end 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.
- **Compliance Support** – ADP runs regular compliance reports to 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 employee new-hire business 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 Jobs-Creation incentives included in the Federal HIRE Act.

For more information, please call  
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- Pays 1 in 6 U.S. workers and 31 million people worldwide
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- 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% retention and an average tenure of more than 10 years
- Ranked #2 in the Financial Data Services industry category on *Fortune* magazine's World's Most Admired Companies (2009)

Your legal counsel should be consulted for updates on law and guidance that may have an impact on your organization and the specific facts related to your business.



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