

December 1, 2010

Payroll tax holiday and New Hire Credits

This has been an interesting year, and while most of the legislation we expected did not occur, there are some Hiring and Retention benefits and tax credits that are effective for 2010 that could save you money. This letter is intended to remind you of some of the benefits and credits and prompt you to call us if you have questions. Hopefully, we can help you to obtain the benefits on originally filed returns (rather than requiring amended returns) and make it easier for you to gather the information we need for your income tax return.

**PAYROLL TAX HOLIDAY.** Did you hire new employees after February 3, 2010? If so, you may not be required to pay the employer portion of the social security taxes (the 6.2% portion.....) for 2010. This “payroll tax holiday” is credited on the quarterly 941 reports filed for 2010. If you have hired ANY new employees in 2010, and you have not received this benefit, please call us before your fourth quarter payroll report is filed. While not all new employees qualify, many do. This is a very straightforward tax savings and requires only that the employee qualify for you to benefit.

**CREDIT FOR HEALTH INSURANCE.** Do you pay for at least 50% of the Health Insurance Premiums for your employees? Do you have fewer than 25 full time (or equivalent) employees? Is the average full-time wage for all of your NON-OWNER employees under \$50,000? If so, you qualify for a tax credit for a portion of the Health Insurance Premiums that you pay. This credit is available for tax years beginning in 2010 through 2013 and is recorded on the annual income tax return for the business. You should plan to include wage and health insurance premium information for each of your employees with your 2010 income tax information so we can determine if you are eligible for this tax credit.

**RETAINED WORKER CREDIT.** This tax credit applies for new hires after March 18<sup>th</sup>, 2010, that you employ for at least 52 consecutive weeks. While this credit will not be available until 2011, the employees that you hire this year could be eligible for the credit. You also may want to strongly consider whether the potential \$1,000 tax credit is worth keeping those employees an extra few weeks if that is what it takes to qualify you for the credit.

This list includes only the items that we think will impact the most people. If there is some particular provision or question you have, please be sure to call us before the end of the year.

Lux & Associates, PS