

KOSMATKA DONNELLY & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Dear Client:

Two new tax benefits are now available to employers hiring workers who were previously unemployed or only working part time.

Employers who hire unemployed workers this year may qualify for a 6.2 percent payroll tax incentive. Employers may claim the payroll tax benefit on their federal employment tax return beginning with the 2010 second quarter filing.

In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker on their 2011 income tax returns.

Employers must use Form W-11, Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, or similar statement, to confirm that an employee is a qualified employee under the HIRE Act. A qualified employee is an employee who:

1. Begins employment with you after February 3, 2010, and before January 1, 2011.
2. Certifies by a signed Form W-11, or similar statement, that he or she has not been employed for more than 40 hours during the 60 day period ending on the date the employee begins employment with you.
3. Is not employed by you to replace another employee unless the other employee separated from employment voluntarily or for cause.
4. Is not related to you. An employee is related to you if he or she is your child or a descendent of your child, your sibling, or stepsibling, your parent or an ancestor of your parent, your stepparent, your niece or nephew, your aunt or uncle, or your in-law. An employee also is related to you if he or she is related to anyone who owns more than 50% of your outstanding stock or profit interest or is a dependent of anyone who owns more than 50% of your stock or profit interest.

If your Company has a qualified employee you must keep a copy of the W-11 on file with other payroll records, it is not necessary to file the form with the IRS. Then claim your exempt wages for qualified employees on your Form 941 Employer's Quarterly Federal Tax Return.

If you have any questions regarding the new tax benefits or if you need help determining how this may affect your payroll tax deposits please feel free to contact us.

Sincerely,

Diane C. Berger, CPA
Accounting Services Manager
Kosmatka Donnelly & Co. LLP

DCB/slm



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