

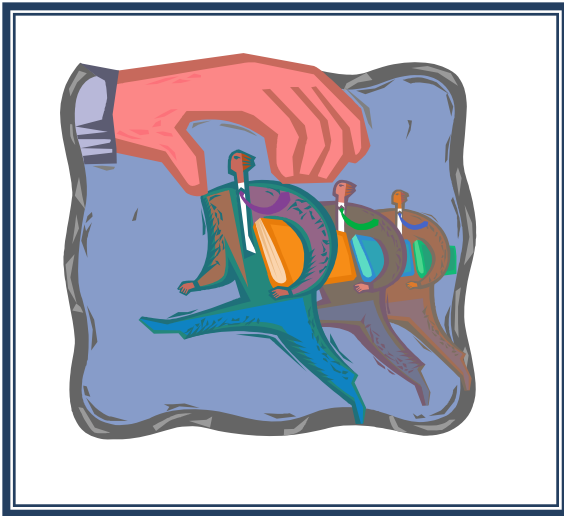


Tax Alerts

Free seminar – Health Care Reform

On March 30, 2010, President Obama signed the “Health Care and Education Reconciliation Act of 2010” into law. ***This massive package of legislation is certain to affect every taxpayer.***

To help business executives and other interested professionals better understand the tax implications involved in health care reform, Moceri & Company is pleased to present a seminar on health care reform. We invite you to join us on Wednesday, June 23, 2010, from 9:00 a.m.-11:00 a.m. for a free explanation and action plan for this new law. Some parts of the law take effect immediately and other parts will be phased in over the next 4 years. You need to know the facts and how it will affect you! Please contact our office for more information or to reserve a seat. ♦



HIRE Act: Incentives to Hire and Retain the Unemployed

In an effort to confront high unemployment, the Hiring Incentives to Restore Employment (HIRE) Act provides incentives for hiring and retaining unemployed workers. Under the HIRE Act, a qualified employer's 6.2 percent share of OASDI Social Security tax liability is forgiven for new hires, and a general business credit is allowed for each retained worker that satisfies a minimum employment period.

Payroll Tax Forgiveness for Hiring Unemployed Workers.

The HIRE Act provides relief from the employer share of OASDI taxes on wages paid by a qualified employer with respect to certain covered employment. Covered employment is limited to service performed by a qualified individual in a trade or business of a qualified employer, or in the furtherance of the activities related to the purpose or function constituting the basis of the employer's exemption under Code Sec. 501. This provision applies to wages paid beginning on the day after enactment and ending on December 31, 2010.

Although a qualified employer does not include the United States, any State, any local government, a qualified employer may include a public higher education institution.

A qualified individual is any individual who:

1. begins work for a qualified employer after February 3, 2010, and before January 1, 2011;
2. certifies by signed affidavit [form W-11] (under penalties of perjury) that he or she was employed for a **total** of 40 hours or less during the 60-day period ending on the date such employment begins;
3. is not employed to replace another employee of the employer unless such employee separated from employment voluntarily or for cause; and
4. is not a related party.

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Employers who qualify for the OASDI forgiveness in the first quarter of 2010 will receive the benefit through a credit toward general second quarter 2010 OASDI liability; they can't simply stop paying the 6.2 percent OASDI tax immediately on wages paid to new hires. After the first quarter, however, the employer does not pay the 6.2 percent tax as wages are paid.

A qualified employer may not receive the work opportunity tax credit on wages paid to an individual during the one-year period beginning on the hire date for the same wages used to qualify for the forgiveness of payroll tax. However, an employer may elect to not have payroll tax forgiveness apply.

Business Credit for Retention of Certain Newly Hired Individuals. Under the HIRE Act, an employer's general business credit is increased by the lesser of \$1,000 or 6.2 percent of salary for each retained worker that satisfies a minimum employment period. Generally, a retained worker is an individual who is a qualified individual as defined for purposes of the provision for payroll tax forgiveness. However, the credit is available only with respect to such individual, if the individual:

1. is employed by the employer on any date during the tax year;
2. continues to be employed by the employer for a period of not less than 52 consecutive weeks; and
3. receives wages for such employment during the last 26 weeks of such period that are at least 80-percent of such wages during the first 26 weeks of such period.

Therefore, an employer will qualify for the full \$1,000 credit for each new hire with a salary over the 52 retention period of at least \$16,129. An employer that hires some part-time new employees, in addition to full-time employees, is entitled to the full \$1,000 credit, if, of course, the part-time or full-time employee decides to stay for 52 weeks.

Because payroll taxes are deductible as an ordinary and necessary business expense, employers may have a correspondingly smaller business expense deduction on their 2010 tax returns. By combining the benefit of the business credit for new hires with the forgiveness incentive, employers in the highest brackets will realize a net tax benefit of just over four percent of wages paid to qualified new employees, up to the \$106,800 social security maximum wage base. Therefore, for the maximum \$6,621.60 tax forgiveness for a new hire, a net benefit of approximately \$4,304 would be realized. ♦

Extension of Increased §179 Expensing

The HIRE Act includes a provision to encourage business investment in capital and equipment. The act extends the available expense deductions limitation of \$250,000, and the phase out amount of \$800,000 through tax years beginning in 2010. However, bonus depreciation is not extended.

Because these extensions are temporary and generally apply only to tax years beginning in 2010, new purchases should be made and placed in service accordingly. The expense deduction of \$250,000 will drop to \$25,000 for qualifying assets placed in service after 2010. Similarly, in 2011, the phase-out amount is scheduled to be reduced to \$200,000. ♦

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Quickbooks Corner

Quickbooks 2007 will be retired on May 31, 2010. The following features will no longer function:

- Payrolls: Assisted, Basic, Enhanced, and Standard
- Employee Organizer
- Merchant Service
- Billing Solution
- Quickbooks email
- Bill Pay
- Online Banking
- Terminal Downloads
- Technical Support/Services

All other features will continue to function. If you are interested in an upgrade or would like any Quickbooks advice, please call our office. ♦