Doeren Mayhew
Certified Public Accountants and Consultants

the construction Zone

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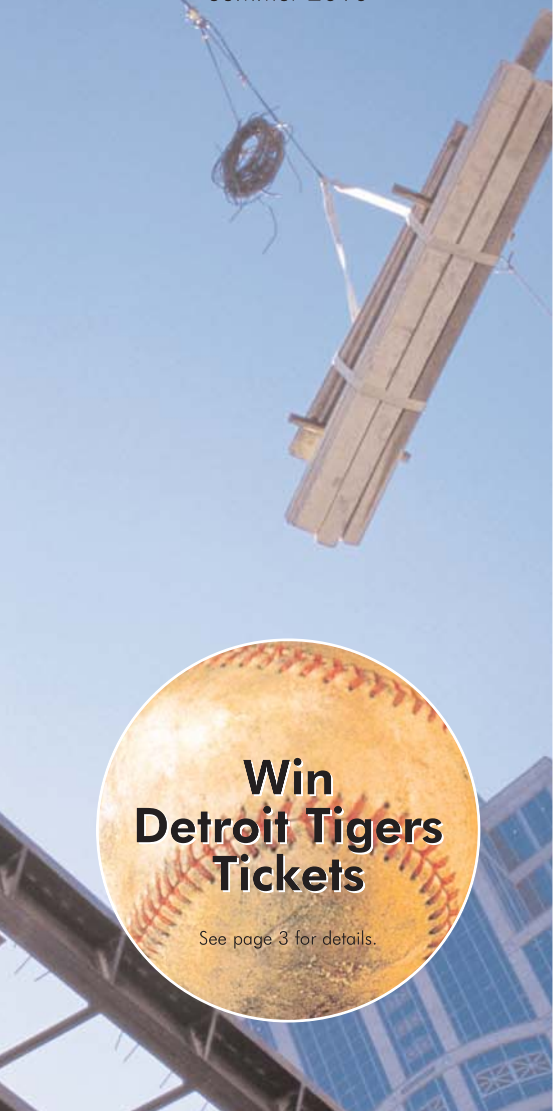

Inside This Issue

HIRE Act's Tax Incentives to Businesses

The "Hiring Incentives to Restore Employment Act of 2010" (the HIRE Act) was signed into law earlier this year. It provides tax benefits to businesses that hire and retain unemployed workers in 2010. Since the law's enactment, the IRS has issued guidance as to how the new law affects employers. Following is a summary.

Payroll Tax Holiday

A key element of the HIRE Act is a payroll tax holiday relating to Social Security taxes:

- The HIRE Act relieves employers of the obligation to pay their share of Social Security (i.e., OASDI) employment taxes on qualifying wages paid to certain newly hired employees if the law's requirements are met.
- An employer's potential maximum tax benefit is $6,621: 6.2% of the employee's wages up to $106,800 – the maximum amount of wages subject to Social Security taxes (in 2010).
- Workers hired after February 3, 2010, and before January 1, 2011, are eligible for the payroll tax forgiveness if certain conditions are met.
- However, only wages paid after March 18 qualify to receive the exemption for payroll taxes.
- The new employee cannot be a replacement for a former employee unless the former employee was terminated for cause or left voluntarily. Following a layoff, when business activity picks up again, the payroll tax exemption may apply with respect to the hiring of a new employee by the employer.
- Employers must obtain signed affidavits (Form W-11 or its equivalent) from the workers certifying that they have not been employed for more than 40 hours during the 60-day period ending on the date employment began.

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- No minimum weekly hour work requirement for new employees must be met in order for an employer to be eligible for the payroll tax break.
- There is no limit on the total amount of payroll tax an employer may be forgiven.
- The payroll tax break doesn't reduce payroll taxes paid during the first calendar quarter of 2010. Instead, the tax reduction is treated as a payment against the employer's second quarter Social Security tax liability.
- In addition to income taxes, employers are still required to withhold the employee's 6.2% share of Social Security taxes.
- The reduced tax withholding will have no bearing on an employee's future Social Security benefits.
- The employee's and the employer's share of Medicare taxes (1.45% each – on all wages) continues to apply.
- For workers that are otherwise eligible for the Work Opportunity Tax Credit (WOTC), the employer must select between the WOTC or the Social Security payroll tax reduction benefit under the HIRE Act; both cannot be claimed.

Retention Credit

The HIRE Act also offers employers a tax credit for retaining the workers they hire.

- The amount of the tax credit that the employer may generally claim for each newly hired worker retained for at least 52 weeks is equal to the lesser of: 1) $1,000, or 2) 6.2% of wages paid to the retained worker during the 52-week period.
- Accordingly, the credit for a retained worker will be $1,000 if the retained employee's wages during the 52-consecutive-week period exceeds a little over $16,000.
- The credit is only applicable to the extent the amount of wages paid to the employee during the last 26 weeks of the 52-week period is at least 80% of the amount paid during the first 26 weeks of the period.
- The tax credit under the HIRE Act is claimed in the tax year in which the employee first satisfies the requirement of working 52 consecutive weeks for the employer.

The employee cannot be a relative of the employer in order for either tax benefit to be claimed.

Sec. 179 Expensing

The HIRE Act also extends the 2009 enhanced expensing rules for small businesses under IRC Section 179 for tax years beginning in 2010. Under the expensing rules, qualifying businesses have the option to currently deduct the cost of business machinery and equipment, rather than depreciating it over a number of years.

- The HIRE Act provides that, for tax years beginning in 2010, a business may expense up to a maximum amount of $250,000.
- The expensing election amount begins to phase out when a business purchases expensing-eligible assets in excess of $800,000.
- These limits are in keeping with expensing levels in 2008 and 2009, which had expired.
- Prior to the HIRE Act's enactment, expensing limits for 2010 were $134,000 of qualifying assets, with a phaseout beginning in excess of $530,000 of qualifying assets.
- The election applies to most non-real estate assets.

IRS Begins 401(k) Compliance Check Questionnaire

401(k) plans represent the most preferred vehicle for retirement savings today – making up more than 60 percent of retirement plans, according to the IRS. However, 401(k) plans are also the most non-compliant type of retirement plan as well, according to a study by IRS Employee Plans Examinations. In light of the popularity and non-compliance of 401(k) plans, the IRS has launched a 401(k) "Compliance Check Questionnaire Project."

The objective of the repost is to identify the areas where additional education, guidance, and outreach regarding 401(k) compliance are needed. The responses will also enable the IRS to determine where the agency needs to focus its enforcement efforts in order to address non-compliance related to the plans. Although the IRS has indicated that the questionnaire is not an audit or an investigation of the plans selected to complete the questionnaire, the agency has indicated that a plan sponsor's failure to respond may result in further enforcement action.

Random Sample

As part of the project, the IRS has randomly selected 1,200 401(k) plans from among plans that filed a Form 5500 for the 2007 plan year. These plans will receive a letter from the IRS with instructions to complete the 401(k) questionnaire using a website established for this purpose,

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Win Tigers Tickets!

You could win 4 Detroit Tigers baseball tickets for the July 22 (Thursday) game against the Blue Jays!

Visit our Website at **doeren.com/Construction.htm** and complete *The Construction Zone* drawing form by July 1, 2010, to be entered in the drawing.

A random drawing will be held on July 2, 2010, to determine the winner. Entries must be received by July 1, to be eligible. One entry per company please. The winner will be notified by phone on July 2, and his/her name will appear in next quarter's newsletter.

The winner of last quarter's Somerset Collection gift card drawing was Donald Keipeiz of Burton Brothers General Contractors.

Congratulations, Donald!

The Lighter Side

Is There Baseball in Heaven?

Two old men had been best friends for years, and they both live to their early 90's, when one of them suddenly falls deathly ill. His friend comes to visit him on his deathbed, and they're reminiscing about their long friendship, when the dying man's friend asks, "Listen, when you die, do me a favor. I want to know if there's baseball in heaven."

The dying man said, "We've been friends for years, this I'll do for you." And then he dies.

A couple days later, his surviving friend is sleeping when he hears his friend's voice. The voice says, "I've got some good news and some bad news. The good news is that there's baseball in heaven."

"What's the bad news?"

"You're pitching on Wednesday."

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or mailing the questionnaire back to the IRS. Recipients of the questionnaire have 90 days to complete and return the questionnaire. If a plan sponsor receives a letter to complete the questionnaire, they must follow the instructions included in the letter. Plan sponsors that wish to complete the questionnaire on-line will receive personal identification numbers and other information needed to create an on-line profile for purposes of providing the information on-line.

Categories

The questionnaire includes the following categories:

- Demographics;
- 401(k) plan participation;
- Employer and employee contributions;
- Top heavy and nondiscrimination rules;
- Distributions and plan loans;
- Other plan operations;
- Automatic contribution arrangements;
- Designated Roth features;
- IRS voluntary compliance programs; and
- Plan administration.

Doeren Mayhew Can Help

Please contact the professionals at Doeren Mayhew today at (248) 244-3000 if you have questions about the IRS 401(k) compliance check questionnaire. Or, you may obtain detailed information, including a Guide to Completion of the 401(k) Compliance Check Questionnaire in PDF format at:

www.irs.gov/pub/irs-tege/epcu_401k_questionnaire.pdf.