

Welcome!

***LEGISLATIVE & REGULATORY CHANGES
Affecting Federal Hiring Incentives***

Hosted by Sheila VanderHorn, National Director of Business Services

Presented by: Roy Goldman, Sr. Partner

April 2, 2010

NTC&I National Tax Credits and Incentives
A member of the Thomas and Thorngren family

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Hudson City Plaza • 2152 State Highway Route 70 • Manchester, NJ 08759

TODAY'S TOPICS

- ✓ ***Bill HR 2847 and the HIRE Act***
- ✓ ***Integrating WOTC with the HIRE Act***
- ✓ ***Status of HR 2413 - reauthorization of Expired Provisions including Federal Community Credits and Katrina WOTC***
- ✓ ***Future of the EZ/ECs, Katrina WOTC, Core WOTC and “Disconnected Youth”***



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HIRE ACT INCENTIVE AT A GLANCE

HR 2847 - Passed by Congress March 17th and signed into law by President Obama on March 18th

Qualified Employers:

All Employers except Federal, State or local Governments

Qualified Employees:

Any Unemployed Individual (defined as having worked 40 hours or less for the 60 day period prior to hire) hired between 2/4/2010 and 12/31/2010

Incentive

Exclusion of Employer Portion of Social Security Tax (6.2% of up to \$106,800) for wages paid from 3/19/2010 to 12/31/2010

Objective

Jumpstart Jobs NOW, specifically in the first half of 2010

Timing

For 941 filed for the Quarter ending 6/30/2010

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HIRE ACT RETENTION INCENTIVE

- ***2nd component is a \$1,000 Tax Credit or a credit of 6.2% of wages paid during the 52 week period, whichever is less***
- ***Only applicable to businesses or trades***
- ***Limited to HIRE Act Employees who are***
 - ***Continuously employed for 52 weeks after 2010 hire date***
 - ***Whose wages for the last 26 weeks are not less than 80% of wages during the first 26 weeks***
- ***The Retention Credit may not be claimed against the AMT***

INTEGRATING HIRE ACT WITH WOTC

New employees may qualify for both WOTC and HIRE Act Incentive

- ***In 2010, Employers may elect to claim WOTC or the HIRE Act Exemption***
- ***In 2011, Qualifying Employers may claim the retention credit on qualified employees regardless of which incentive was elected in 2010***

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INTEGRATING WITH EMPOWERMENT ZONES AND RENEWAL COMMUNITIES

Should the expired Federal EZ/RC credit be renewed retroactive to 2010 and eventually to 2011, AND the legislative language remains as is

- ❑ *2010 HIRE Act Payroll Tax Exemption may be claimed in conjunction with EZ/RC Credits***
- ❑ *2011 Income Tax Retention Credit may also be claimed in conjunction with the EZ/RC Credits***

INTEGRATING HIRE ACT WITH WOTC

What to Consider

- **THE DEFINITIVE FACTOR: EARNINGS**
 - I. WOTC incentive calculated at 6.5 X payroll tax exemption*
 - II. WOTC wage based capped between \$3,000 - \$12,000*

- **VARIABLE CONSIDERATIONS**
 - I. Certification Timeline*
 - II. WOTC Targeted Group*
 - III. Administrative resources*
 - IV. Tax Filing Schedule*
 - V. Status of the Tax Return*

THE DEFINITIVE FACTOR: EARNINGS

WOTC	Wages where Incentive Value Intersect	
<u>Category</u>	<u>WOTC</u>	<u>HIRE Act</u>
Summer Youth.....	\$3,000	\$19,355
Core WOTC.....	\$6,000	\$38,710
Long Term Welfare.....	\$10,000	\$64,516
Disabled Veteran.....	\$12,000	\$77,419



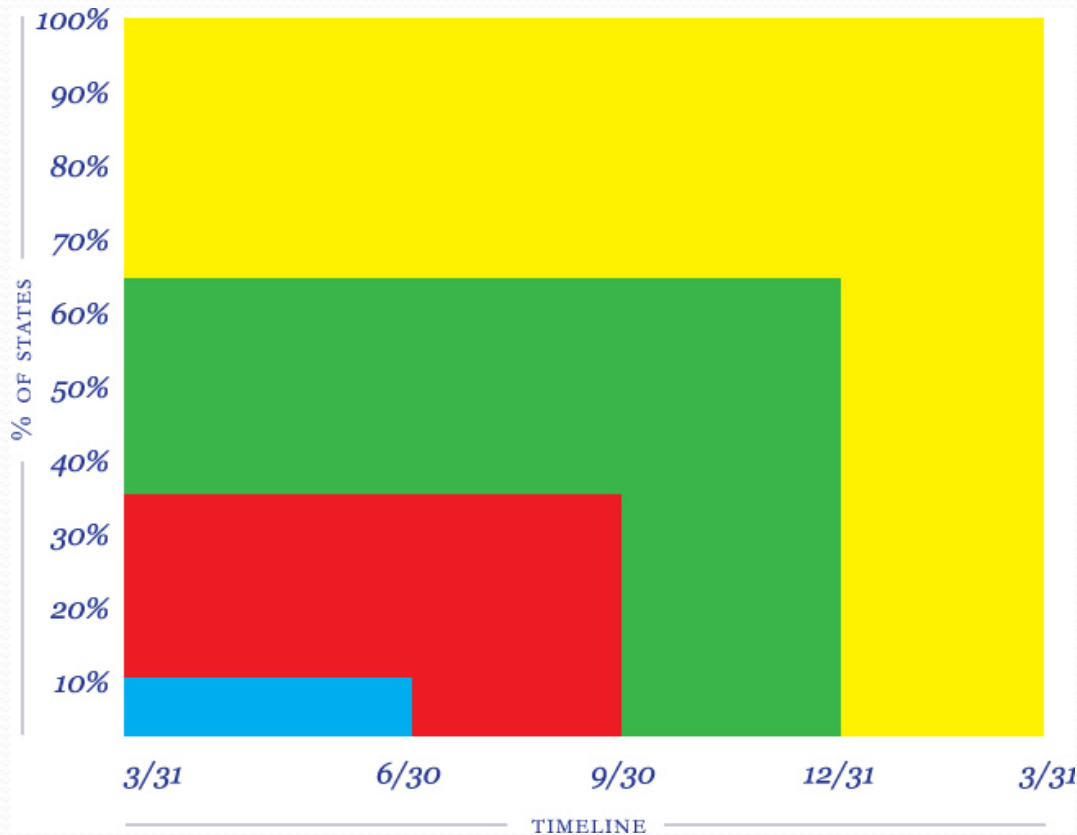
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VARIABLE FACTOR I

WORK (certifying agency) STATE



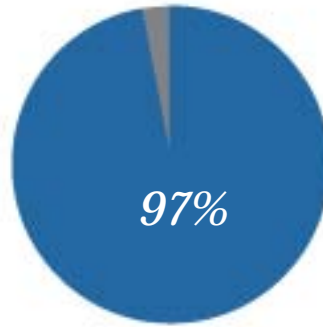
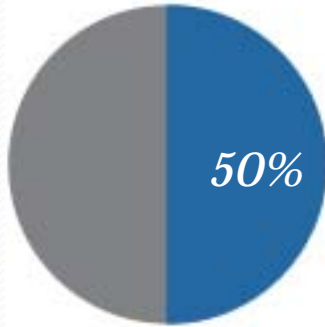
- 10 % of states issue certifications within 3 months
- 25 % within 4-6 months
- 30% 6-9 months
- 35% 12+ months

VARIABLE FACTOR II

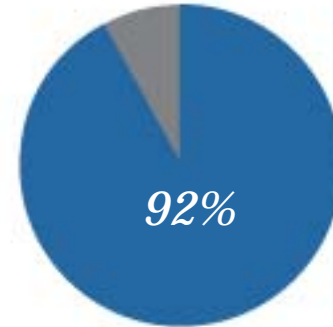
“TARGETED GROUP”

Designated Community Residents

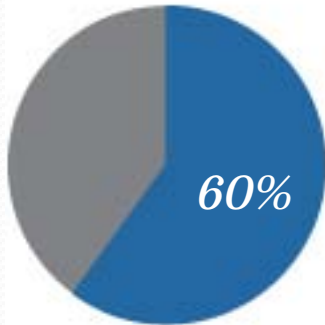
TANF/Welfare-to-Work



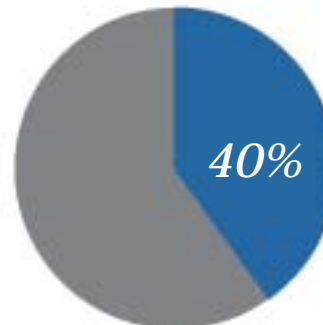
Summer Youth



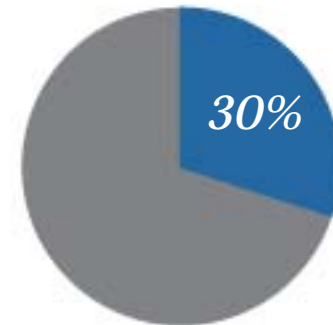
SNAP (food stamp) Recipients



Veterans categories



SSI, Voc Rehab, Ex-offenders



MAXIMIZING THE COMPANY SAVINGS

Parameters

- ***Only for individuals who qualify for HIRE Act and MAY qualify for WOTC***
- ***WOTC Certification has NOT been issued***
- ***Have significantly higher WOTC value than HIRE Act value***

Strategy

- ***Postpone decision on which incentive until the choice is clear***

ACTION PLAN COMPONENTS

- ❑ ***Define “Significantly higher WOTC value”***
- ❑ ***Delay HIRE Act Exemption until at least the 4th quarter 2010 941 filing***
- ❑ ***Set a “wait through” date for issuance of WOTC certifications in 2011***
 - ***File 941-X only after that date***
- ❑ ***Consider extended holdout on the “Designated Zone Resident” category***

NTC&I HIRE ACT SERVICES

SCREEN - Survey new hires for eligibility including retroactive screening of employees on payroll after February 3, 2010

DOCUMENT - Obtain and retain documentation for qualified HIRE Act Employees in accordance with statutory requirements

ADVISE - Assist with developing strategy for claiming incentive for employees who are dually eligible

REPORT - Calculate, document and report numbers for 941 & 941-X and retention credit in 2011

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CLIENT RESPONSIBILITIES



- *Authorize strategy*

- *Assist in locating new hires*

- *Provide payroll feed*

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CLARIFICATIONS SINCE THE MARCH 22ND WEBINAR

- 1. Pending EZ/RC renewal, HIRE Act Incentives may be claimed in conjunction****
- 2. The 2011 Income Tax Retention Credit may NOT be claimed against the AMT***
- 3. Bill language limiting eligible jobs to those not replacing another employee unless that person 'separated voluntarily or for cause' does NOT apply to recall from layoff if the RIF was before February 4, 2010***

**Providing current bill language is retained*

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ADDITIONAL LEGISLATIVE UPDATE OF INTEREST TO CLIENTS: HR 2413



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HR 2413
**RENEWS THE FOLLOWING EXPIRED
PROVISIONS RETROACTIVELY FOR ONE YEAR**

<u>CREDIT</u>	<u>EXPIRED DATE</u>
<i>Federal Empowerment Zone/ Renewal Communities</i>	<i>12/31/09</i>
<i>“Designated Community Residents” WOTC</i>	<i>12/31/09</i>
<i>DC Credit</i>	<i>12/31/09</i>
<i>Indian Employment Credit</i>	<i>12/31/09</i>
<i>Katrina WOTC</i>	<i>8/29/09</i>

2010 AND BEYOND....

At the end of 2010....

- ❑ *All of the renewed “Extenders” will require new extensions....*
- ❑ *So will “Designated Community Resident” WOTC and Katrina WOTC*

In 2011....

- ❑ *WOTC’s almost 5 year authorization expires August 31 and will require reauthorization*

Recurring Legislative Challenges....

- ❑ *The deficit and requirement that all tax credits are revenue neutral*
- ❑ *Political partisanship*
- ❑ *Cameral partisanship/cultural conflict between Senate and House*
- ❑ *Tax Reform*

Final Thoughts: **THE FUTURE OF HIRING INCENTIVES**

- ❑ ***HIRE Act as a unique solution***
 - ✓ ***Designed to address the immediate issue of high unemployment***
 - ✓ ***Nexus to social security trust fund***
 - ✓ ***Continuation of the concept most likely with a different vehicle***
- ❑ ***Tax Reform likely deferred***
- ❑ ***All Extenders reauthorized***

THANK YOU!

- Questions
- Follow-up
 - *FAQs on our website: www.ntlci.com*
 - *Recorded Legislative Update sessions*
 - *Service Bulletins via email*
 - *Copy of today's presentation upon request*
- For more information
 - *Contact Sheila VanderHorn 615-767-0970 or sheila.vanderhorn@ntlci.com*
 - *Contact Roy Goldman 732-657-5041 or roy.goldman@ntlci.com*

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