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HIRE Act & Healthcare Reform Bill

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HIRE Act

The Hiring Incentive to Restore Employment Act (HIKE Act) (March 18, 2010) provides an employer payroll tax exemption for qualified newly hired employees. The provisions of the HIRE Act are less restrictive than employment stimulative laws of prior years and, accordingly, may benefit many businesses in our area. This is especially true because of the seasonal hiring pattern of our economy. A brief summary:

Benefits:

- The 6.2% employer share of social security taxes (OASDI) is exempted on newly hired qualified unemployed workers. This exemption applies to qualified workers hired after February 3, 2010 and applies to wages paid from March 19, 2010 until December 31, 2010.
- A Retention Credit of up to \$1,000 is possible for a “retained worker” who is a qualified employee that is continuously employed for a period of not less than 52 consecutive weeks and receives wages for such employment during the last 26 weeks of such period that are at least 80% of such wages during the first 26 week period. This potential credit is for years ending after March 18, 2010.

Requirements:

- Qualified worker – begins employment after February 3, 2010 and before January 1, 2011
- Not related to the employer
- Signs an affidavit (Form W-11), under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60 day period prior to the employment starting date

How to Claim the Payroll Tax Exemption:

- Claimed on Form 941 (Employer’s Quarterly Federal Payroll Tax Return) beginning with second quarter of 2010.
- Following is a Flow Chart to calculate your eligibility for Payroll Tax Exemption.

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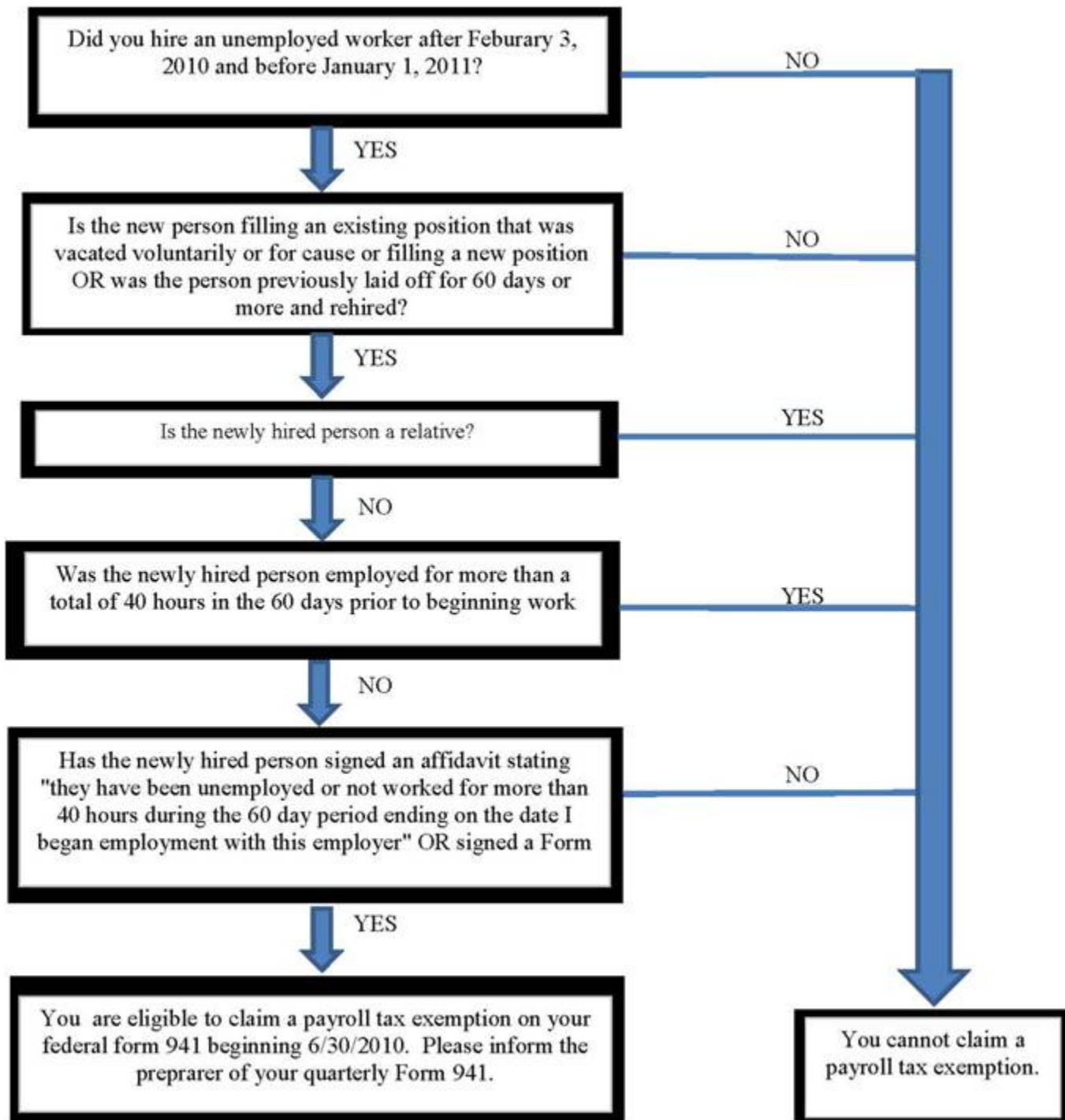
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Payroll Tax Incentive Eligibility Worksheet

Hutchins Allen & Company, P.A.

Prepared by: David Warner, Wealth Management Advisor and Tara White, Associate Accountant



Healthcare Reform Bill

Some elements of the bill are slated to take effect within the next year, while others will take some time to implement.

Key Provisions Effective Immediately:

- Tax credits for businesses with fewer than 25 employees and average annual wages of less than \$40,000 that provide health insurance (provided on a sliding scale based on wages and number of employees).

Key Provisions Effective In Six Months:

- Insurance coverage for dependent children must be provided up to the age of 26 under group and individual policies.
- Bans health plans from dropping people from coverage when they get sick, and prohibits health plans from denying coverage to children under the age of 19 with preexisting conditions. (In 2014, that prohibition would extend to everyone.)
- Prohibits lifetime limits on coverage.
- Tightly restricts new plans' use of annual limits.

Key Provisions Effective In 2011 and Beyond:

- Employers will be required to report the aggregate value of the benefits they provide for all health coverage, excluding Medical FSAs, on employees' W-2s.
- Itemized deduction threshold for unreimbursed medical expenses will increase to 10% of AGI.
- Uninsured individuals will face fines for not maintaining health insurance and employers with 50 or more employees will be required to offer health coverage to full time employees or be subject to penalty.
- Medical FSA contributions will be capped at the lesser of the company's plan maximum or \$2,500, effective January 1, 2013.
- Medicare tax will increase to 2.35% on earnings over \$200,000 (\$250,000 for families) and a 3.8% Medicare tax will be imposed on unearned income.

Many additional provisions will be implemented as far out as 2018.