

## **Potential Tax Relief for Churches Hiring Previously Unemployed Workers**

On March 18, 2010, the Hiring Incentives to Restore Employment Act (the “HIRE Act”) became law. As its name indicates, the HIRE Act provides incentives for employers to hire new employees who are currently unemployed. One of those incentives – an exemption from the employer’s share of Social Security taxes – is available to non-profit employers, including churches. In short, if an employer hires a previously unemployed individual, the employer will be exempt from paying the employer’s share (i.e., 6.2%) of Social Security taxes on that new employee’s wages through the end of 2010. (The employer is still required to pay its share (1.45%) of the new employee’s Medicare taxes.) Employers claim the HIRE Act Social Security tax exemption on their quarterly Form 941s.

The HIRE Act contains some important restrictions and requirements, which we briefly summarize here. First, the new employee cannot be replacing a former employee unless the former employee left voluntarily or was discharged for cause. In other words, employers cannot just replace current employees with new employees for the sole purpose of obtaining the benefits of the HIRE Act. Second, the new employee must certify that he or she has been unemployed, or employed for less than 40 hours, during the 60-day period immediately preceding his or her new employment. (The IRS has provided a form for this purpose, Form W-11, which the employer must keep on file.) Third, the new employee must have been hired after February 3, 2010, and before January 1, 2011. For more detailed information on these and other requirements to take advantage of the HIRE Act, please see the links provided below, and consult with your professional tax adviser.

[IRS HIRE Act Questions and Answers for Employers](#)

[IRS Form W-11](#)