

SPECIAL  
POINTS OF  
INTEREST:

- Employer exempt from paying FICA-SS on qualified employees.
- Up to a \$1,000 credit for retained workers
- Employer must disclose on W-2 value of employee's health insurance coverage

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# C&A Payroll Update

JULY, 2010

## C&A Launching Payroll Updates

Christianson & Associates, PLLP, is dedicated to helping our clients ensure that they have the knowledge that is needed to run a successful business.

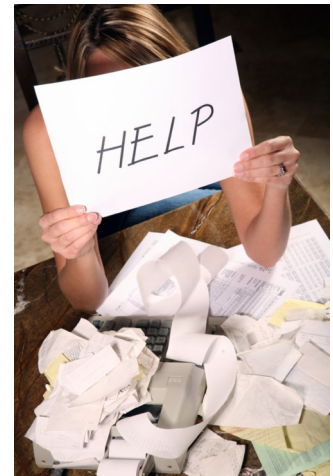
We will be sending out periodic updates regarding important payroll and HR information.

In this update we will be covering laws that have already gone into effect as well as legislation that has been passed, but has not yet become effective

As always we are available for questions, and would love an

opportunity to discuss how your business may be affected by these laws and how you can best take advantage of these opportunities.

Our staff of payroll experts will continue to research upcoming payroll legislation and changes and we will continue to keep you informed.



## 2010 HIRE Act

What is the Hire Act?

On March 18, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act.

This nearly \$17 billion jobs bill will provide employers with financial incentives for hiring unemployed workers and retaining those workers for at least one year. Specifically this bill contains two provisions that affect employers who are hiring: a **Social Security Tax Exemption** and a **Business Tax Credit**.

**A qualified employer** is broadly defined as any employer who is not a government agency, though higher education public institutions are qualified.

**A qualified individual** is anyone who:

- Begins employment after 2-3-10 and before 1-1-11.
- Certifies in a signed affidavit that they have not been employed for more than 40 hours during the 60-day period prior to the first date of employment. Form W-11

- Is not hired to replace another employee unless the other employee left voluntarily or was terminated for cause.
- Is not related to the qualified employer or anyone owning 50% or more of the stock or other capital of the employer.



# Benefits of the HIRE Act

## Social Security Tax "Holiday"

The Act provides relief from the employer share of social security tax, which is 6.2% of covered wages up to \$106,800, on wages paid by a "qualified employer" to a "qualified individual".

## Business Tax Credit

This rebate comes in the form of a nonrefundable tax credit available on an employer's 2011 income tax return due in 2012. For each new unemployed hire that completes 52 consecutive weeks of service, the employer can claim an income tax credit equal to the lesser of \$1,000 or 6.2 percent of wages paid in the 52 weeks.

The \$1,000 maximum credit is equivalent to about \$16,000 in wages per new hire. If an employer has 10 new hires paid at least the minimum of \$16,000 each, the income tax credit would be \$10,000.

*"The \$1,000 maximum credit is equivalent to about \$16,000 in wages per new hire."*



# Rules of the HIRE Act

## Social Security Tax "Holiday"

For wages paid between 3/19/10 and 12/31/10 the employer is exempt from paying their portion of the FICA-SS on qualified unemployed workers.

- There are no minimum hours that the employee must work.
- This does not apply to self employed workers.
- The amount of tax forgiven cannot exceed

\$6,621.60.

- Wages paid in the first quarter that would have been forgiven will be allowed as a credit for the second quarter.
- Form W-11 must be completed.
- Employers must choose between the payroll exemption and the Work Opportunity Tax Credit cannot take both.

## Business Tax Credit

Up to a \$1,000 credit for each

"retained worker".

- Any qualified workers hired under the HIRE Act that the employer keeps on the payroll for a continuous 52 weeks wages are eligible.
- Credit will be taken on the 2011 return.
- In order to be eligible, the employee's pay in the second 26 week period must be at least 80% of the first 26 week period.

# Work Opportunity Tax Credit

The American Recovery and Reinvestment Act of 2009 is intended to preserve and create jobs. The WOTC reduces an employer's cost of doing business.

- For most target groups the WOTC can be as much as \$2,400. It is

based on qualified wages paid for the first year of employment.

- Generally, qualified wages are capped at \$6,000.
- The credit is 25% of qualified first year wages for those employed at least 120 hours and 40% for

those employed 400 hours or more.

For more information on targeted groups and other credit amounts, please log on to our website at [www.christiansoncpa.com](http://www.christiansoncpa.com).

# Health Care Reform Legislation

On March 23, 2010, President Obama signed into law the Affordable Care Act. The law puts into place comprehensive health insurance reforms that will hold insurance companies more accountable and will lower health care costs, guarantee more health care choices, and enhance the quality of health care for all Americans.

The Act will not be implemented all at once. Portions of the law have already taken effect. Other changes will be implemented through 2014

and beyond.

The Affordable Care Act is projected to reduce premiums for millions of families and small business owners who are priced out of coverage today. This Act could help as many as 32 million Americans who have no health care today receive coverage.



*“January 1, 2013  
FSA deferral limit  
capped at \$2,500  
per year.”*

## Time line of changes

### September 23, 2010

- PPACA (Patient Protection and Affordable Care Act) - requires health plans that offer coverage of dependent children to continue to make such coverage available until the child turns 26 years old. (In addition the Legislation extended the general exclusion from income for medical expense reimbursement under an employer - provided accident or health plan to any child of any employee who has not attained age 27 as of the end of the taxable year.)

### January 1, 2011

- Change in the definition of

‘medical expenses’ - over the counter drugs not prescribed by a doctor will no longer be allowed to be reimbursed through an HRA or FSA or from being reimbursed on a tax-free basis through an HSA or a MSA.

- Small employers (generally 100 or fewer employees) may establish “simple cafeteria plans”.
- Employers will have to report the total cost of the employer-provided health coverage on employees’ W-2.

### January 1, 2012

- 1099 reporting will now include any corporation that is not tax-exempt.

### January 1, 2013

- FSA deferral limit capped at \$2,500 per year.
- Medicare tax rate increase from 1.45% to 2.35% on wages earned over \$200,000 for single filers, for \$250,000 for joint filers, and \$125,000 for married individual filing separately. Self employed person will pay 3.8% on earnings over the threshold.
- FICA-Medicare tax will be applied to investment income.



## Christianson & Associates, PLLP

302 SW 5th St  
Willmar, MN 56201  
320-235-5937

[www.christiansoncpa.com](http://www.christiansoncpa.com)

**Christianson and Associates, is a full service accounting and consulting firm offering a wide array of services to best serve our clients. We offer innovative solutions to our clients needs.**

**Call us today.**

Teresa Carlson, Supervisor  
320-441-5503  
[tcarlson@christiansoncpa.com](mailto:tcarlson@christiansoncpa.com)

*Knowledge. Experience. Vision.*

# C&A Payroll Services

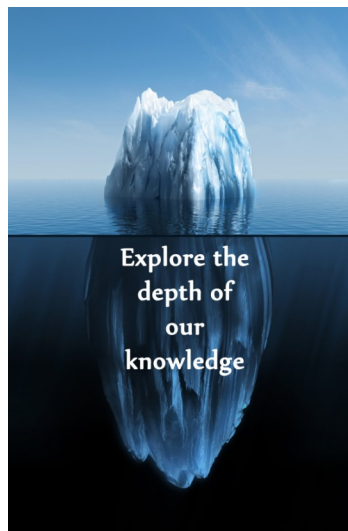
Christianson & Associates, is pleased to be able to offer a wide range of Payroll Services that improve the payroll management for employers of small, medium or large businesses. Our payroll solutions streamline your payroll process, improve productivity and simplify administration. We manage the time consuming tasks of payroll processing and employee payroll tax filings so you can focus on running your business. Christianson & Associates payroll solutions ensure that your payroll needs are met on time, every time.

We are able to help our clients with any or all of their payroll needs.

### Complete payroll processing

- Preparation of checks and direct deposit
- Upload of direct deposit to your bank for processing
- Processing of state and federal payroll taxes
- Processing of garnishments and 401k payments

- Preparation of payroll summary
  - Total gross pay / Net payroll
  - 401k withholding & match
  - Garnishment detail
  - Flex deductions
  - Hours summary



### Quarterly payroll processing

- Preparation of 941
- Online filing of state income tax filing
- Online filing of state unemployment
- Calculation of quarterly federal unemployment liabilities and payment

### Year End payroll processing

- Preparation of Form 940
- Printing W-2s and mailing to client or directly to employees
- Preparation and filling of W-2s / W-3s with the IRS and states
- Preparation of 1099s

Call us today at 320-235-5937 to assist you with your payroll needs.