

Article: 312918**Title: Info - HIRE Act**

This article applies to: Sage MIP Fund Accounting, all versions

HIRE Act Summary

The bill encourages employers to hire unemployed workers by exempting certain wages from Social Security taxes, and by providing employers with a \$1000 tax credit if new hires are retained for at least 52 consecutive weeks.

Social Security Tax Exemption:

The bill would provide certain employers with relief from their share of the Old Age Survivor's Disability Insurance (OASDI) taxes (i.e. Social Security taxes) equating to 6.2% of wages paid to a "qualified individual." A qualified individual is anyone who:

1. begins work for a qualified employer after Feb. 3, 2010 and before Jan. 1, 2011;
2. certifies by signed affidavit (under penalties of perjury)(see IRS form W-11) that he was employed for a total of 40 hours or less during the 60-day period ending on the date the employment begins;
3. is not employed to replace another employee of the employer unless that former employee separated from employment voluntarily, or for cause; and
4. is not related to the employer (under rules similar to those in IRC §51(i)).

The exemption would be available to any employer, other than a federal, state, or local employer (or government instrumentality). However, an employer that is a public higher education institution could claim the exemption. An employer could elect not to receive this payroll tax benefit.

The Social Security tax exemption would be reported on Form 941, Employer's Quarterly Federal Tax Return. The first quarter return (January 1 to March 31, 2010) must be filed by April 30, 2010. However, the bill does not allow the Social Security tax exemption to be claimed with respect to wages paid in the first quarter of 2010. The tax benefit that employers would have received in the first quarter of 2010 will be claimed in the second quarter of 2010 instead.

The legislation calls for the employer Social Security tax exemption for qualified employers, as applicable, for wages paid to the qualified individual during the period beginning March 19 and ending on December 31, 2010.

Sage MIP Fund Accounting Payroll Accommodations***Accruing the OASDI Tax Exemption***

Sage Fund Accounting customers can immediately begin accruing the OASDI tax exemption for qualified employees by setting up a Benefit Code per the following steps:

1. In Payroll>Maintain> Benefit Codes create a new Code and name it "HIRE" in **all-caps**.
 - I. **IMPORTANT!** The name "HIRE" will be a **case-sensitive** key word in the system after the version 10.2.5 update. **The version 10.2.5 update will be available in May of 2010.** The update will allow for the automatic calculation of the "Exempt wages and tips paid this quarter" on the 941 Worksheet. Additionally, a new default report <OASDI Exempt> will be accessible under Reports>History>Benefit Code in version 10.2.5 to aggregate the OASDI credit:

Benefit Tab

- I. Assign the Expense GL that is used for accruing the Social Security Expense as the Liability Account on the Benefit Code.
- II. Assign the Liability Account that is used for accruing the Social Security Liability as the Expense

Account on the Benefit code.

III. Uncheck the Show Code on Check Stub option.

IV. In the W-2 Information group box set the Box Number to "12" and Box Code to "CC" (**WARNING:** Box Code "CC" will not be valid until version 10.2.5 update has been installed.)

Calculation Tab

I. Set the Calculation Method to Fixed Percentage of Earnings.

II. Set the percentage at 6.2% and the Maximum per Year to \$106,800.

Earnings Tab

I. Select all Earnings that are subject to Social Security taxes.

Schedule Tab

I. Define Schedule as needed.

Taxes Tab

I. Deselect all tax check boxes.

Distribution Tab

I. Set the Expense distribution option so that it mirrors the distribution method used in the Maintain > Federal Taxes form (Distribution tab).

2. Apply the Benefit Code to the Timesheet (Default or Regular) Benefits Tab of all qualified employees.

3. In Maintain>Employee Information>Employee Tab>Dates group box make sure that the Hired date is accurate.

Note: This setup will allow the gross accruing of the FICA>OASDI tax to occur while at the same time reducing the OASDI liability by the amount of the credit. The benefit will not show on the Employee's Check stub but it will flow to the W-2 Box 12 Code CC per the IRS requirement.

New Benefit History Default Report

Starting with version 10.2.5, in the Payroll>Reports>History>Benefit Codes report menu a new default report <OASDI Exempt> will be provided and will automatically be filtered for the HIRE benefit code. By running this report for the appropriate date range, the OASDI credit can be aggregated accurately. The Hire Date column and Filter has also been added to accommodate getting the quarterly hired count required in 941 reporting.

Modifications to the form 941 Worksheet

Starting with version 10.2.5, the Payroll>Reports>Payroll Tax Worksheets>941 Worksheet report will be modified to include the line "Exempt wages and tips paid this quarter" under the "Total social security and Medicare taxes row." The row is to be modeled after the "Taxable medicare wages" and "Taxable social security wages" rows in that the amounts displayed will be the aggregated total of all subject wages associated with the HIRE benefit codes that will then be multiplied by 6.2% and the product will be displayed.

New Versions of the IRS forms 941, W-2 and W-3 will be provided via Aatrix® Reports

Aatrix® will provide the updated version of the 941 report that will be available for 2nd quarter of 2010. The W-2 and W-3 will also be updated to accommodate the reporting requirements associated with the new credit.

Note: The OASDI credit and employee count figures will not automatically flow to the 941 report provided by Aatrix®. The number will need to be manually entered by the employer but they can be obtained by running the 941 Worksheet and <OASDI Exempt> Benefits History Report.

New IRS form W-11 will be printable via Aatrix® Reports

Aatrix® will make a printable W-11 Employee Affidavit available starting the 2nd quarter of 2010.

Additional Notes

If you wish to receive a notification when version 10.2.5 is available, please go to Article #311222 (Article Title: Cumulative Update for Sage MIP Fund Accounting Version 10.2) and click on the **Subscribe** link on the right hand side panel of the screen. If you do not see a narrow panel on the right hand side of this article, click Show Info on the top right-hand corner. Simply enter your Email address and hit the Submit button. You will automatically receive an email notification when a new update is available.

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