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## *Act gives employers tax incentives to hire workers*

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Employers now have incentives to hire more workers with the passage of the Hiring Incentives to Restore Employment Act.

But will employers take advantage of what the government promises in the law even if they are not seeing business improve?

Local business owners and managers consider the law a good idea, even ingenious, but until their business improves or the incentives become more lucrative, they plan to delay hiring.

The new law is supposed to put a portion of the 15.7 million unemployed Americans back to work.

In Virginia, 317,799 people are out of work. In Hampton Roads, the number of unemployed has reached 63,809.

The new law includes a plethora of incentives, including a payroll tax exemption and more tax credits for employers that meet certain eligibility requirements.

A primer on the law by ADP, a firm that specializes in human resources, payroll and benefits, said the law will immediately enhance employers' cash flow by permitting them to retain the employer portion of the Social Security tax ordinarily remitted.

The Social Security tax exemption is 6.2 percent. So employers can save 6.2 percent of each payroll check if they hired after Feb. 3 previously unemployed individuals who have worked less than 40 hours during the previous 60 days and whose 2010 earned wages after March 18 and before Jan. 1 do not exceed \$106,800.

Businesses benefit financially if they hire workers earlier in the year. For example, a \$60,000 worker hired on April 1 saves an employer about \$2,800 in taxes. Delaying the hiring until June 1 would reduce savings to about \$2,200.

Employers are not limited to how much they can claim because the exemption has no limit of the total amount of tax benefits

that can be claimed by an employer. Employers can save up to \$6,622 per qualifying worker, whether they hire one worker or hundreds.

Employers also will receive an income tax credit, which is either \$1,000 for each qualifying worker hired after Feb. 3 and employed for at least 52 consecutive weeks, or 6.2 percent of wages paid to the qualifying worker over the 52-week period, whichever is less.



**KIM CURTIS**  
Tidewater Home  
Funding LLC

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Neither credit is available to employers, though, if a person is hired to replace another employee "unless such other employee is separated from employment voluntarily or for cause." Hiring to replace laid-off staff doesn't qualify.

Several local employers say improved sales will dictate hiring, not tax credits.

"I think the spirit of the act is good, and I applaud the efforts to encourage job growth," said Kim Curtis, president and CEO of Tidewater Home Funding LLC. "Even so, it comes down to economics, and if a small company's bottom line cannot afford the payroll cost, they aren't going to just add jobs to get the credit. For those businesses on the fence with hiring, the credit should encourage them to move forward.

"As an employer who fits in the category to take advantage of the act, I am researching how it might benefit our company," Curtis said. David Host, president of T. Parker Host Inc., a Norfolk

shipping agent, said the credits would not be a motivating factor.

"This will not impact us on making a decision to hire someone or not," Host said. "Only if Social Security would pay 100 percent of the salary would I consider creating a position."

Don Goldberg, president of D.D. Jones Trucking & Warehouse Co. in Chesapeake, said he'd like to be in a position to take advantage of the new law.

"It would be great to start hiring again and certainly we would use the benefits of the new act," Goldberg said. "But I still have not seen the growth in activity.

"I have a sense that it will pick up over the summer, but not as of yet," he said. "What small increase I've seen, we're able to handle with my existing staff. I remain hopeful and have been out beating the bushes for new business."

The law is also not an important factor to Joel Rubin of Rubin Communications, a public relations firm in Virginia Beach.

"No. I will hire if I need a person, not for a tax break," Rubin said.

The thought behind the legislation makes economic sense, according to Jim Flinchum, principal of Bay Capital Advisors, a financial planning firm in Virginia Beach.

"Classical economists believe that, if you want more of something, tax it less," Flinchum said. "The HIRE Act does reduce the tax on jobs and can be expected to increase some jobs. However, I don't expect the increase to be large. There are so many factors that go into hiring another person that the relatively minor tax savings on Social Security won't help as much as hoped. But, it will help some."

"Interestingly, one of the funding sources for this additional government spending is increased enforcement against offshore tax shelters," Flinchum said, "which could produce a lot of money and a lot of headlines."