

TAX TALK
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HIRE ACT AND 1099 REPORTING UNDER HEALTH CARE ACT

What is the HIRE Act?

The Hiring Incentives to Restore Employment Act (HIRE) became law in March of 2010. The law was written, at least in part, to encourage hiring and offers businesses certain tax incentives. The act also addresses certain foreign transactions and miscellaneous provisions which are beyond the scope of this article.

Extension of Section 179 Rules

For tax years beginning in 2010, the new law allows businesses first year expensing (also referred to as section 179 expensing) up to \$250,000 on most depreciable assets used in a trade or business. (It does not include leasehold improvements or real estate and there is also a limitation placed on luxury automobiles.) This means that most assets purchased by small businesses can be written off in one year. **The limit is scheduled to fall back to only \$25,000 for tax years beginning in 2011.**

Employer Payroll Tax Holiday and \$1,000 credit

The new law exempts any private-sector employer that hires a worker who had been unemployed for at least 60 days from having to pay the employer's 6.2% share of the Social Security payroll tax on that employee for the remainder of 2010. A company could save a maximum of \$6,621 if it hired an unemployed worker and paid that worker at least \$106,800—the maximum amount of wages subject to Social Security taxes—by the end of the year. The worker must start work after 2/3/10 and on or before 12/31/10. The worker must not replace another worker unless the previous worker quit voluntarily or was discharged for cause and the worker must not be a family member.

In addition to the above payroll tax holiday, if certain conditions are met and an employer retains a worker originally hired under the conditions stated above for 52 consecutive weeks, then the employer is eligible for a credit of up to \$1,000.

New 1099 Reporting Requirements

Some of the provisions of the Health Care Act that have flown under the radar are the new form 1099 reporting requirements. These requirements will not be effective until 2012, however they're impact will be dramatic. Businesses prior to the act were required to issue 1099 forms to any person/entity that they paid at least \$600 for rents, services, prizes, awards or any other income payments. As a general rule businesses

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did not have to issue 1099s to entities that were incorporated. Beginning in 2012 this changes and 1099s must be issued to incorporated entities as well as individuals, LLCs, partnerships, etc. The law also requires Form 1099 to be prepared for payments in consideration for property.

Conclusion

The above article outlines some very basic elements of the tax act. These provisions have very strict deadlines that must be adhered to and it is, of course, vital that any taxpayer seek the advice of tax professionals familiar with these provisions.