

Checkpoint Contents

Federal Library

Federal Editorial Materials

Federal Taxes Weekly Alert Newsletter

Preview Documents for the week of 04/22/2010 - Volume 56, No. 16

Articles

Revised Forms W-2 and W-3, plus instructions, reflect HIRE Act payroll tax holiday (04/22/2010)

Federal Taxes Weekly Alert,

Revised Forms W-2 and W-3, plus instructions, reflect HIRE Act payroll tax holiday

On its website, IRS has revised and updated Forms W-2 (Wage and Tax Statement) and W-3 (Transmittal of Wage and Tax Statements) for 2010, plus their instructions, to reflect the 2010 payroll tax holiday for employers that hire unemployed workers. The payroll tax holiday was created by the Hiring Incentives to Restore Employment Act (HIRE Act, [P.L. 111-147](#)).

Background. Under [Code Sec. 3111\(d\)](#), as amended by HIRE Act Sec. 101(a), qualified employers don't have to pay their 6.2% share of Social Security (i.e., OASDI) employment taxes on wages paid in 2010 to newly hired qualified individuals. These are workers who: (1) begin employment with the employer after Feb. 3, 2010 and before Jan. 1, 2011, (2) certify by signed affidavit, under penalties of perjury (use new Form W-11, Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, or its equivalent; see [Weekly Alert ¶ 1 04/15/2010](#)) that they haven't been employed for more than 40 hours during the 60-day period ending on the date the individual begins employment with the qualified employer; (3) do not replace other employees of the employer (unless those employees left voluntarily or for cause), and (4) aren't related to the employer under special definitions. The payroll tax relief applies only for wages paid with respect to employment beginning on Mar. 19, 2010 (the day after the HIRE Act was signed into law by the President) and ending on Dec. 31, 2010.

The payroll tax holiday doesn't apply for wages paid during the first calendar quarter of 2010. Instead, the amount by which the qualified employer's OASDI tax for wages paid during the first calendar quarter of 2010 would have been reduced if the payroll tax holiday had been in effect for the first quarter is treated as a payment against the employer's OASDI tax for the second calendar quarter of 2010.



RIA observation: For more details on the HIRE Act's employment-stimulus changes, see [Weekly Alert ¶ 1 03/25/2010](#), [Weekly Alert ¶ 4 03/25/2010](#), and [Weekly Alert ¶ 9 04/08/2010](#).

Revised Forms W-2 and W-3. IRS's instructions to revised Forms W-2 and W-3 for 2010 tell an employer to report the amount of wages and tips paid to the qualified employee for which it claims the payroll tax exemption in Box 12 of Form W-2, using code CC. This amount includes wages and tips paid to the qualified employee from Apr. 1, 2010, through Dec. 31, 2010, for which it claims the payroll tax exemption, plus wages and tips paid to the qualified employee from Mar. 19, 2010, through Mar. 31, 2010, for which it claims a credit in the second quarter of 2010. The amount in Box 12 coded CC can't exceed \$106,800 (2010 maximum social security wage base).

On Form W-3, the total of amounts entered in Box 12 and coded CC for all eligible employees on Form W-2 is entered on Line 12b (HIRE exempt wages and tips). The total of employees' deferred compensation amounts, previously reported in Box 12 of Form W-3, is now reported in Box 12a (Deferred compensation).