



THE 2010 HIRE ACT OFFERS TAX INCENTIVES TO BUSINESSES

To provide businesses with tax breaks to hire displaced workers, President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act on March 18, 2010. The \$18 billion jobs bill grants tax credits to qualified employers who hire workers who have been unemployed (or employed only part time) for 60 days or more.

Qualified employers include for-profit and non-profit private businesses, agricultural employers, public colleges and universities and Indian tribal governments. Federal, State, and local governmental entities are not eligible.

Two important tax credits are offered to eligible employers who hire such workers after February 3, 2010 and before January 1, 2011.

- ◆ For 2010, eligible employers are exempt from making the 6.2% employer Social Security payroll tax contribution on those workers' earnings for 2010. Based on the maximum Social Security taxable wage base of \$106,800, the maximum Social Security tax "holiday" per hired worker is \$6,621. However, the 1.45% Medicare payroll tax is still collected from the employer.
- ◆ An additional business tax credit is provided for tax years ending after March 18, 2010 to employers who retain those workers for at least 52 consecutive weeks. The amount of this one-time tax credit is equal to the lesser of \$1,000 or 6.2% of wages paid to a new employee for 52 weeks.

Eligible new hires that qualify for the tax incentives are those that have been unemployed or worked less than 40 hours for another employer during the 60-day period prior to beginning work. (Note, this 60-day period must be continuous, and may span 2009-2010.)

Who is an eligible new hire?

- ◆ The tax credit is intended to "offer a much-needed boost to employers willing to expand their payrolls," according to IRS Newswire.
- ◆ New hires filling existing positions may also qualify, as long as the employee being replaced left voluntarily or was terminated for cause.
- ◆ Employers may also claim the tax credit for employees who were laid off in 2009 (who have been receiving COBRA premium assistance, and for whom the employer has taken the COBRA premium assistance credit), who are re-hired by the employer between February 3 and December 31, 2010.
- ◆ The new employee may not be related to the business owner or a shareholder owning more than 50% of the company outstanding stock, or capital and profits interest.
- ◆ In order for an employer to claim the tax credit, an affidavit must be completed by the employee prior to the end of the employer's quarterly tax filing period, certifying that the employee has not worked more than 40 hours during the preceding 60 days. The affidavit (Form W-11) is available at <http://www.irs.gov/pub/irs-pdf/fw11.pdf>.
- ◆ To receive the 2011 business tax credit for retaining displaced workers, the employee must be employed at any date during the tax year, and have been employed at least 52

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consecutive weeks. Wages paid to the employee during the second 26 weeks of the 52-week period must be at least 80% of the wages paid in the first 26-weeks.

Coordination with the Work Opportunity Tax Credit Program

The Work Opportunity Tax Credit (WOTC), as extended under ARRA, is a Federal tax credit incentive to spur hiring of specifically targeted unemployed individuals. The WOTC is generally 25% of qualified first year wages for those employed between 120 and 400 hours, and 40% for those employed 400 hours or more. Most wages are capped at \$6,000, with specific exceptions for disabled veterans, summer youth, and TANF benefits recipients.

Examples of WOTC eligible individuals include certain:

- ◆ Members of families receiving temporary assistance for needy families (TANF) benefits (40% credit subject to a first year wage cap of \$10,000, with a 50% credit also available for second-year wages up to \$10,000);
- ◆ Disabled veterans entitled to compensation due to a service-related disability, hired within 12 months of discharge (subject to a wage cap of \$12,000);
- ◆ Veterans who are members of a family who have received food stamps for at least 3 months during the 15-month period prior to the hiring date;
- ◆ Unemployed veterans (hired after 2008 and before 2011);
- ◆ 18-39 year old food stamps benefit recipients for either the 6-month period ending on the hiring date or who are no longer eligible for food stamps, but was a member of a family that received benefits 3 of 5 months ending on the hiring date;
- ◆ 16-17 year old summer youth living in an

empowered zone or renewal community, working for a 90-day period between May 1 and September 15 (up to a \$3,000 wage cap);

- ◆ Ex-felons hired within 1 year after conviction or release from prison;
- ◆ Hurricane Katrina employees,
- ◆ Disabled persons who received a vocational rehabilitation referral;
- ◆ SSI (Supplemental Security Income) recipients who received benefits for any month ending during the 60-day period prior to the hire date; and
- ◆ Disconnected youth (age 16-25) who have been unemployed and not attending school for 6 months prior to hire and who are not readily employable due to a lack of basic skills.

In some cases, an employer may hire a new worker who also qualifies under the Work Opportunity Tax Credit. An employer may **not** apply both the social security tax exemption and the WOTC. However, an employer may elect not to apply the social security tax exemption with respect to a specific employee. Such an election may allow a qualified employer to claim the Work Opportunity Tax Credit for that employee.

When and how does the employer receive the tax credit provided by HIRE?

The HIRE Act provides for automatic coverage unless an otherwise qualified employer opts out.

The tax credit may be taken on the employer's quarterly Federal Tax Return (Form 941) beginning with the second quarter of 2010. Qualifying exemption amounts for the first quarter of 2010 may also be included in the second quarter's 2010 Form 941.

Retroactive adjustments for later quarters (such as in cases in which the employee's Affidavit is received after the end of a prior reporting period) may also be taken in the current reporting period.

Additional information is available on the IRS

website at: <http://www.irs.gov/newsroom/article/0,,id=220326,00.html>

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INFORMATION PRIVACY AND SECURITY

Privacy. Security. Two words that have attracted much attention in the last ten years. Because a large volume of information is available online, it has become easier and easier for hackers to learn almost anything about any individual or business. Use of this information by unauthorized persons can result in harm to the individual on whom the information is based. This is most commonly referred to as “identity theft.”

The federal government and many states have taken steps to require that individual and business information stored or transmitted by electronic means be protected so that unauthorized persons are not able to access the transactions or information. They have also enacted legislation regarding the storage of such information. While much of this activity has centered on an individual’s personal financial and health information, attention has also been given to businesses and their need for protection.

Protection for individual information was central to several federal legislative bills passed late in the last century – the Gramm Leach Bliley Act concerning the financial industry and Health Insurance Portability and Accountability Act (HIPAA) for the health provision industry – began the process of establishing the guidelines for business to protect individual financial and health information. HIPAA was subsequently amended by what is called Hitech that strengthens the requirements that businesses must follow to protect individual information.

State laws are enacted by each state. Each state therefore addresses what it perceives as a need for their residents. Because of this, there is no consistent approach for applying one state’s rules across all states. For example, some states provide guidance on how to handle social security numbers, others on workers’ compensation claims,

others for driver’s license numbers and others vehicle VIN numbers.

Because Hays Companies has clients and employees in nearly all fifty states, our approach must be to comply with all applicable federal and state laws. Since state laws change frequently, we will apply the broadest application of laws regardless of state applicability.

Information that pertains to a business’ financial stability is not as clearly defined by the federal or state governments as it is for personal information. We recognize, however, that in the process of assisting our corporate clients we will come into contact with financial reports and other information that should be kept confidential and private, whether the firm is publicly or privately held. We will provide the same level of security for these records as we will for individual information.

Recently, Hays Companies implemented an encryption system through ZIX. ZIX enables us to send and receive information on personal and business information via an encrypted transmission basis. ZIX is a widely used program and it enables us to communicate safely and effectively with others. It requires that the firms we communicate with have installed the ZIX system or establish the method to access the encrypted material. Firms and contacts who receive encrypted messages from Hays Companies will be asked to go out to the internet portal and establish their own particular passwords. They can then open the encrypted file and respond directly to us.

The ZIX encryption system is being used with clients and their designated contact personnel, clients’ employees, insurers, and other service vendors. We realize that there may be some delay or inconvenience, but we believe that the protection of our client’s information and that of their employees requires us to install this program. As the system is refined, delays and any inconvenience will be minimized.

Hays Companies will continue to maintain programs that provide protection for our client’s and their employees’ information. We understand that this is important and necessary.

HAYS COMPANIES CLIENT PRIVACY POLICY

At the Hays Companies, we value your trust and are committed to the responsible management, use and protection of business or personal information. When we refer to “you” we mean those individuals and firms who have provided us with business or personal information in conjunction with inquiring about, applying for, or obtaining a financial product or service from us. All financial service companies collect a certain amount of this information to help service customers and administer their business. This Notice describes our policy regarding the collection, disclosure, and protection of business or personal information.

“Information”, as used in this Notice, means information that identifies an entity or individual personally and is not otherwise available to the public. It includes financial information such as credit history, income, financial benefits, policy or claim information. It also includes personal health information such as individual medical records or information about an illness, disability or injury.

Hays Companies collects business and personal information to help service your transactions with us and to support our business operations. This information may be obtained directly from the individuals themselves, from corporate clients duly authorized to release such information and from certain third parties, such as insurance companies. Depending on the type of product or service applied for or obtained through us, personal information may include names, addresses, income, and claim histories.

To serve you and to administer our business, we may share certain business and personal information, only as permitted by law, with affiliates, such as business associates and our employees. We may also share business and personal information, again only as permitted by law, with unaffiliated third parties, such as insurance companies, administrators, and service

providers who help us serve you and administer our business.

Our employees have access to business or personal information in the course of doing their jobs, which includes underwriting policies, paying claims, developing new products or advising customers about products and services. All of our employees are required to sign a confidentiality agreement in which they agree to protect the information to which they may have access.

We use manual and electronic security procedures to maintain the confidentiality and integrity of information in our possession and to guard against its unauthorized access. Some techniques we employ to protect information include secured files, user authentication, encryption, firewall technology and the use of detection software.

We are responsible for identifying information that must be protected, providing an adequate level of protection for that data and granting access to protected data only to individuals who must use it in the performance of their job-related duties. Employees who violate our Privacy Policy will be subject to disciplinary action, which may include termination.

Disclosure of your information will only be done with your proper written authorizations or as otherwise permitted or required by law. We will not share your business or personal information with anyone for purposes unrelated to Hays Companies business operations.

This Notice describes the privacy policies of Hays Companies. The privacy policy applies to individuals and firms who obtain or apply for a financial product or service, or have done so in the past. We will continue to follow our privacy policy regarding information even when a business relationship no longer exists between us.



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Locally Owned, Globally Connected, Serving the needs of our customers: Risk Management, Insurance, Employee Benefits and Retirement Planning.

With Offices in 19 U.S. cities—For a complete listing, please consult our website at www.hayscompanies.com.