

Program Letter

United States Railroad Retirement Board Office of Programs



Quality Reporting Service Center

Phone: (312) 751-4992

e-mail: qrsc@rrb.gov

Fax: (312) 751-7190

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To: Certification, Registration, Retirement and Unemployment Contact Officials

Subject: Hiring Incentives to Restore Employment (HIRE) Act

Recent legislation that exempts qualified employers from paying the 6.2 percent FICA tax also exempts employers covered under the Railroad Retirement Act (RRA) from paying the corresponding 6.2 percent Tier I tax.

H.R. 2847, Hiring Incentives to Restore Employment (HIRE) Act, allows employers that hire unemployed workers this year to qualify for a 6.2 percent payroll tax incentive reduction, which in effect exempts them from paying their share of Tier I taxes on compensation paid to these workers after March 18, 2010. This reduced tax withholding will have no effect on the employee's future RRA benefits, and employers would still need to withhold the employee's 6.2 percent share of Tier I taxes. Also, the employer and employee's shares of Tier II and Medicare taxes would also still apply to the compensation paid.

In addition, for each worker retained for at least a year, businesses may claim an additional general business tax credit, up to \$1,000 per worker, when they file their 2011 income tax returns.

The employment requirements for the hired individual are that they must:

- Begin employment after Feb. 3, 2010 and before Jan. 1, 2011;
- Certify by signed affidavit, under penalty of perjury, that they have not been employed for more than 40 hours during the 60-day period ending on the date they begin employment; and
- Not be employed by the qualified employer to replace another employee unless that employee separated from employment voluntarily or for cause.

The IRS is currently developing a form employees can use to make the required statement.

Employers can claim the payroll tax benefit on the federal employment tax return they file with the IRS. However, since the collection of taxes is covered under the Railroad Retirement Tax Act (RRTA) and administered by the IRS, you must contact that agency for definitive answers

on how to make adjustments and claim tax credits. An IRS CT-1 specialist can be reached at 859.669.2134.

If you have other questions contact the Quality Reporting Service Center at the telephone number and e-mail address shown above.