



Last Updated: 5/13/10

[Revision History](#)

## HIRE Act Guide for QuickBooks

The Hiring Incentives to Restore Employment (HIRE) Act offers employers tax incentives for hiring unemployed workers and for retaining them for at least one year.

Under this act, an employer is exempt from paying the employer portion of 2010 Social Security taxes on wages paid to qualified employees between March 19 and December 31, 2010. (For more information about the HIRE Act exemption, check this [IRS web site](#).)

### Who qualifies for the HIRE Act exemption?

An **employee** is qualified under the HIRE Act exemption if he or she:

- Started working for you after February 3, 2010, and before January 1, 2011.
- Is not employed by you to replace another employee, unless the other employee left voluntarily or for cause.
- Is not a family member or relative.
- Has signed [IRS Form W-11](#) (or similar statement) certifying, under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60-day period before starting to work for you.

If you are uncertain whether your employee qualifies for the HIRE Act exemption, check this [IRS web site](#).

Any **employer** other than the United States, a state, or a local government or a household employer qualifies for the HIRE Act exemption. Qualified employers include tax-exempt organizations and public institutions of higher education.

If you are uncertain whether your business qualifies for the HIRE Act exemption, check this [IRS web site](#).

**Beginning May 13, 2010** (payroll update 21011), QuickBooks (2007 and later) supports the payroll tax exemption provision of the HIRE Act.

### What do I need to do in QuickBooks?

1. Be sure you've [downloaded the latest Payroll Update](#) (21011 or later).
2. Confirm your qualified employees by [getting a signed Form W-11](#) (or similar affidavit) from each of them.
3. [Designate qualified employees in QuickBooks](#).
4. [Make any necessary liability adjustments](#).
5. [File your employment tax returns](#).

Assisted Payroll users can skip this step since the Assisted Payroll service files your employment tax returns for you.

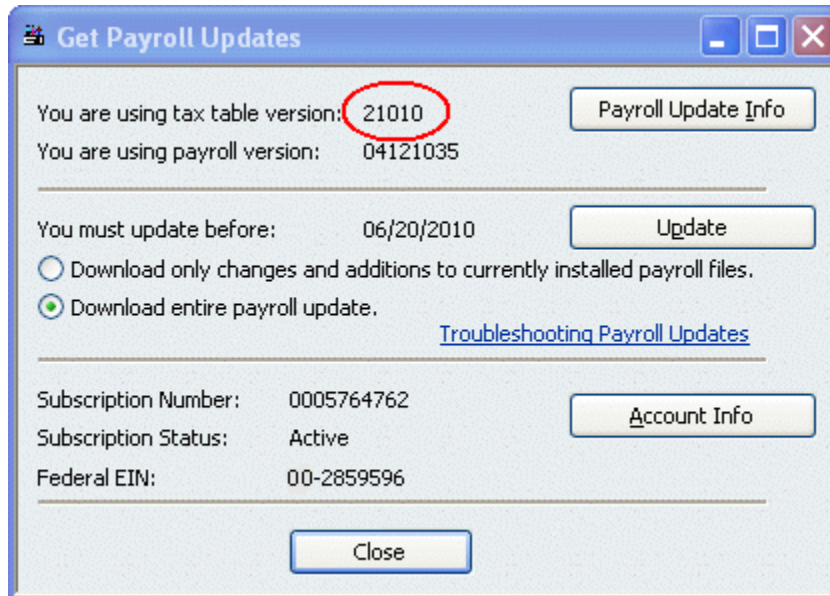
### [Frequently Asked Questions](#)

## Download the latest Payroll Update

In order to designate qualified employees for the payroll tax exemption provision of the HIRE Act in QuickBooks (2007 or later), you need to have downloaded the latest payroll tax table updates (21011 or later).

### To do this task:

1. From the **Employees** menu in QuickBooks, choose **Get Payroll Updates**.



2. Check the tax table version you are using. If it is lower than 21011, select **Download entire payroll update** and click **Update**.

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## Get signed Forms W-11

Before you can designate an employee as qualified for the HIRE Act exemption, you must receive **an affidavit** from the employee certifying, under penalties of perjury, that he or she has not been employed for more than 40 hours during the 60-day period before starting to work for you.

You can use [IRS Form W-11](#) for this purpose (click the link to download the form from the IRS web site), or you can use another similar statement as long as it contains the same information as Form W-11 and the employee signs it under penalties of perjury.

You **do not send** the Forms W-11 to the IRS, but you must keep them along with your other payroll and income tax records.

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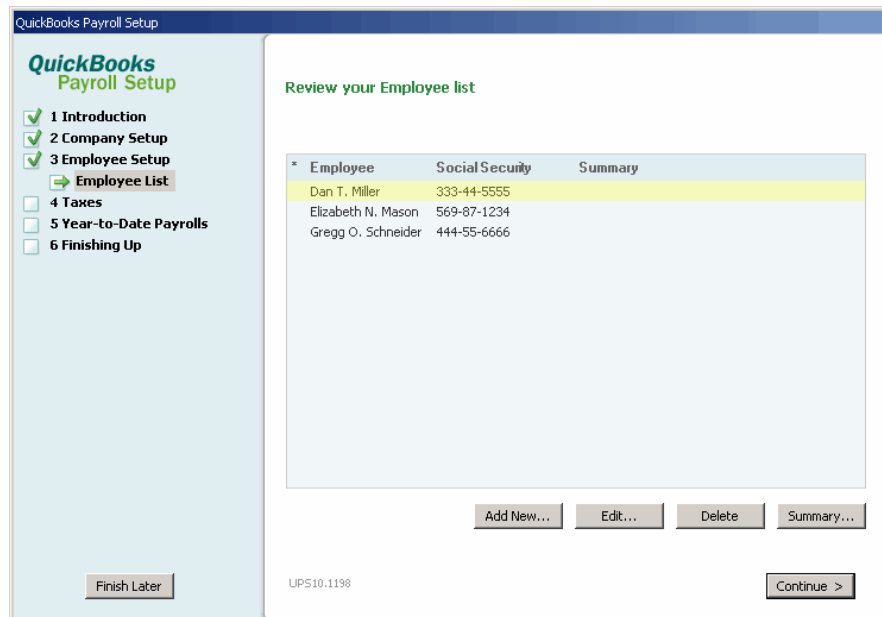
## Designate qualified employees in QuickBooks

As soon as you have installed the 21011 tax table update and have a signed Form W-11 (or similar statement), you can designate employees as qualified for the HIRE Act exemption in QuickBooks.

Once you designate an employee as qualified, QuickBooks stops creating a liability for the employer portion of the Social Security tax (the Social Security Company payroll item) on subsequent paychecks through December 31, 2010. (See [Make Liability Adjustments](#) for information on how to handle the Social Security taxes for paychecks to qualified employees dated March 19 through the date you designate the employee as qualified in QuickBooks.)

### To do this task:

1. From the **Employees** menu, choose **Payroll Setup**.
2. On the left panel of the Payroll Setup window, select **Employee Setup** and then **Employee List**.



3. If you are setting up a new employee in QuickBooks, click **Add New**. If you have already set up the employee in QuickBooks, select the employee from the list and click **Edit**.
4. Add or edit information in each window in the Payroll Setup interview as necessary, clicking Next when you are ready to move to the next window.
5. On the window for entering federal tax information, click the drop-down arrow next to the HIRE Act Exemption box, and select **Qualified employee**.

**Note:** You cannot take both the HIRE Act payroll tax exemption and the [Work Opportunity Tax Credit](#) (WOTC) for a qualified employee. Therefore, if you prefer to take the WOTC for a qualified employee, select **Not a qualified employee** instead.

6. Click **Next** to move through the remaining windows until you can click **Finish** to complete the Employee Setup step.
7. Repeat these steps for each qualified employee.
8. Click **Finish Later** in the left panel of the Payroll Setup window when you are finished designating qualified employees.

When you choose **Qualified employee** to claim the payroll tax exemption for an employee, QuickBooks (2008 and later) verifies that the Hire Date you have entered for the employee is between February 4 and December 31, 2010. (Note that date validation does not occur in QuickBooks 2007.)

Paychecks you create **after designating** the employee as a Qualified employee and dated **April 1 through December 31**, 2010, do not create a liability for the employer portion of the Social Security tax (the Social Security Company payroll item).

The maximum tax break to you for each employee is \$6,621.60, or 6.2% of the total wages you pay the employee in 2010, up to the \$106,800 Social Security wage cap. This payroll tax exemption has no effect on the employee's future Social Security benefits, and you still need to withhold the employee's 6.2% share of Social Security taxes, as well as income taxes. The employer and employee shares of Medicare taxes also still apply to these wages.

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## Make Liability Adjustments

Since QuickBooks only stops creating a liability for the employer portion of the Social Security tax (the Social Security Company payroll item) on paychecks **after** you designate an employee as qualified, you need to take the appropriate additional actions described in this section to recognize the tax exemption for paychecks you created between March 19 (the day after the enactment of the HIRE Act) and the date you designate the employee in QuickBooks.

### For Basic, Standard, and Enhanced Payroll users:

- If you paid qualified employees between **March 19 and March 31, 2010**, the IRS specifies that you claim the payroll tax exemption for wages paid during this period when you file your 2<sup>nd</sup> quarter Form 941 (or Form 943 or Form 944, for annual filers).
- If you paid qualified employees between **April 1 and the date you designated the employee as qualified** in QuickBooks, you must make liability adjustments for each paycheck for each qualified employee following the steps in this section.

### For Assisted Payroll users:

- If you paid qualified employees between **March 19 and the date you designated the employee as qualified** in QuickBooks, you must make liability adjustments for each paycheck for each qualified employee following the steps in this section.

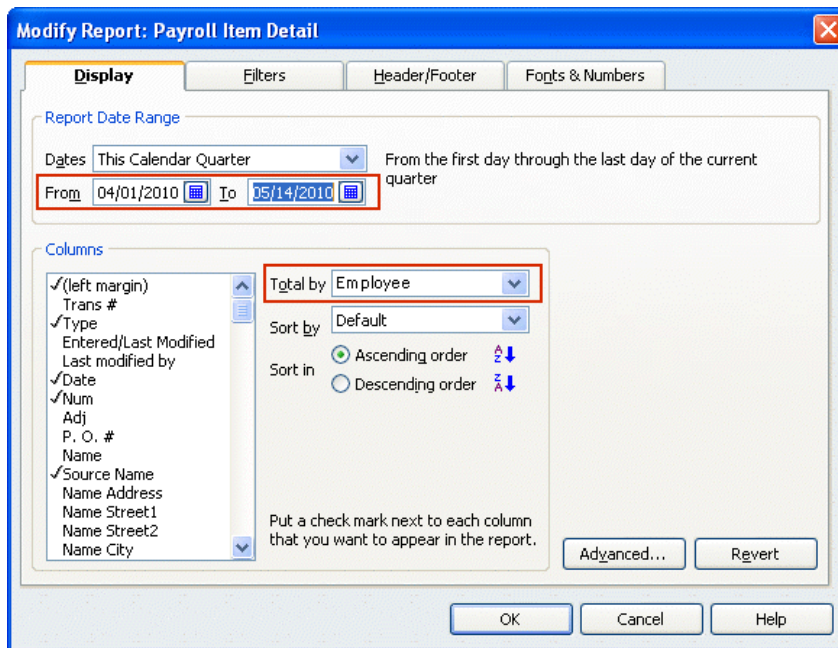
When you have run your Payroll Item Detail report and are ready to make your liability adjustments, you must call an Assisted Payroll agent (as described in this section), and you should plan to remain on the phone with the agent until you have completed the adjustments.

### To do this task:

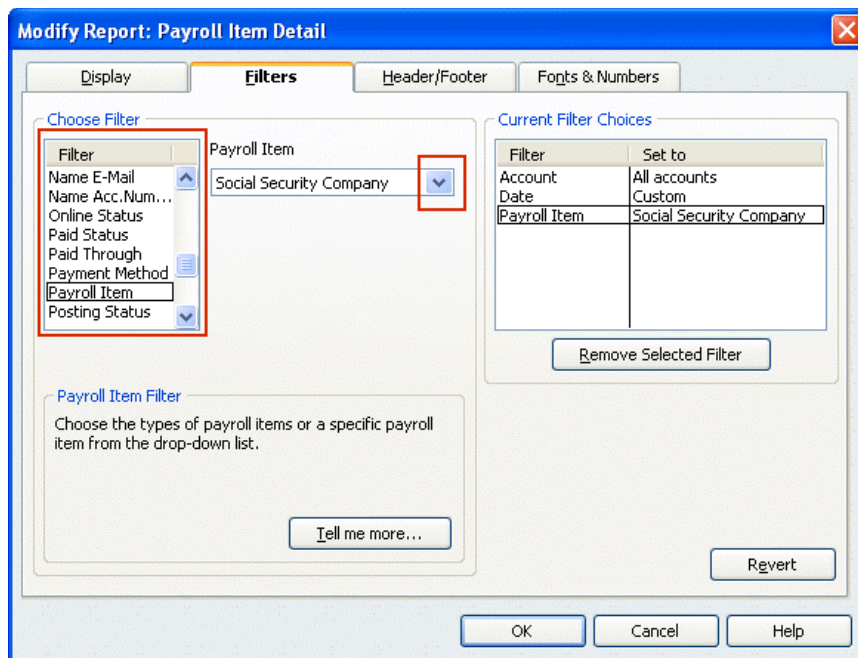
#### Run a report showing your payroll liabilities

**Note:** These steps walk you through creating a modified Payroll Item Detail report, which we recommend. Assisted Payroll users must create this report. Basic, Standard, or Enhanced Payroll users can create any report that provides them with the information they will need to adjust payroll tax liabilities.

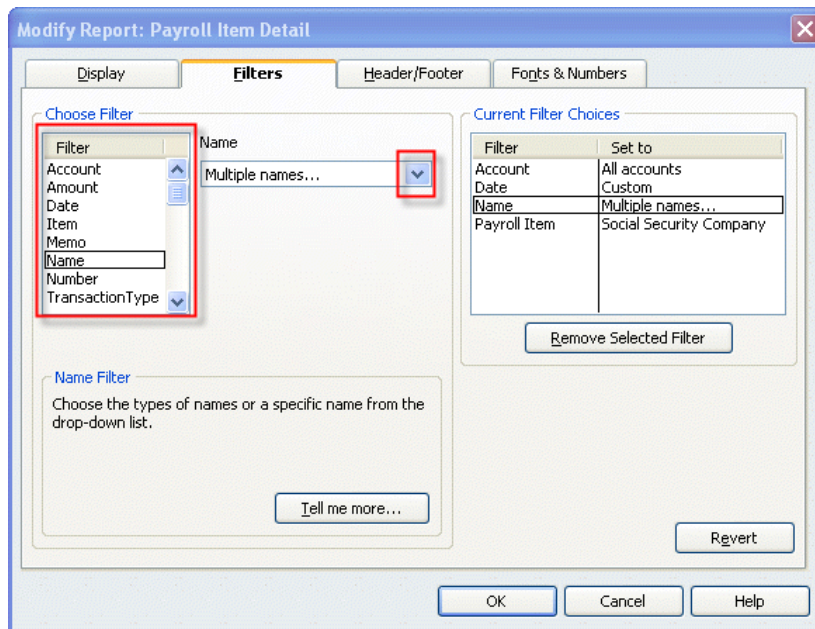
1. Be sure your payroll is current, and if you are an Assisted Payroll user, be sure you have sent all outstanding payrolls to the Assisted Payroll service for processing.
2. From the **Reports** menu, choose **Employees & Payroll > Payroll Item Detail**.
3. Click the **Modify Report** button.
4. On the **Display** tab:
  - Set the date range. (For Basic, Standard, and Enhanced Payroll, use April 1, 2010, to the current date; for Assisted Payroll use March 19, 2010, to the current date.)
  - Click the **Total by** drop-down arrow, and choose **Employee**.



5. On the **Filters** tab:
  - From the **Filter** list, select **Payroll Item**.
  - Click the **Payroll Item** drop-down arrow, and select **Social Security Company**.



- From the **Filter** list, select **Name**.
- Click the **Name** drop-down arrow, and select **Multiple names**.



6. From the Select Name window, select the names of the qualified employees (making sure a check mark appears in front of each name), and click **OK**.
7. Click **OK** to close the Modify Report window and display the modified Payroll Item Detail report.

Item	Date	Source Name	Payroll Item	Type	Wage Base	Amount
<b>Social Security Company</b>						
605	04/02/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
625	04/16/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.97
646	04/30/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
659	05/14/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
Total Social Security Company					6,384.60	-395.85
<b>TOTAL</b>					<b>6,384.60</b>	<b>-395.85</b>

8. Click the **Print** button to print the report.

### Assisted users only: Call an Assisted Payroll agent

9. If you have the **Assisted Payroll service**, call 888.712.9702 when you are ready to make your liability adjustments and have time to stay on the phone with the Assisted Payroll agent until you have completed these steps.

If you have **Basic, Standard, or Enhanced Payroll**, continue at step 10.

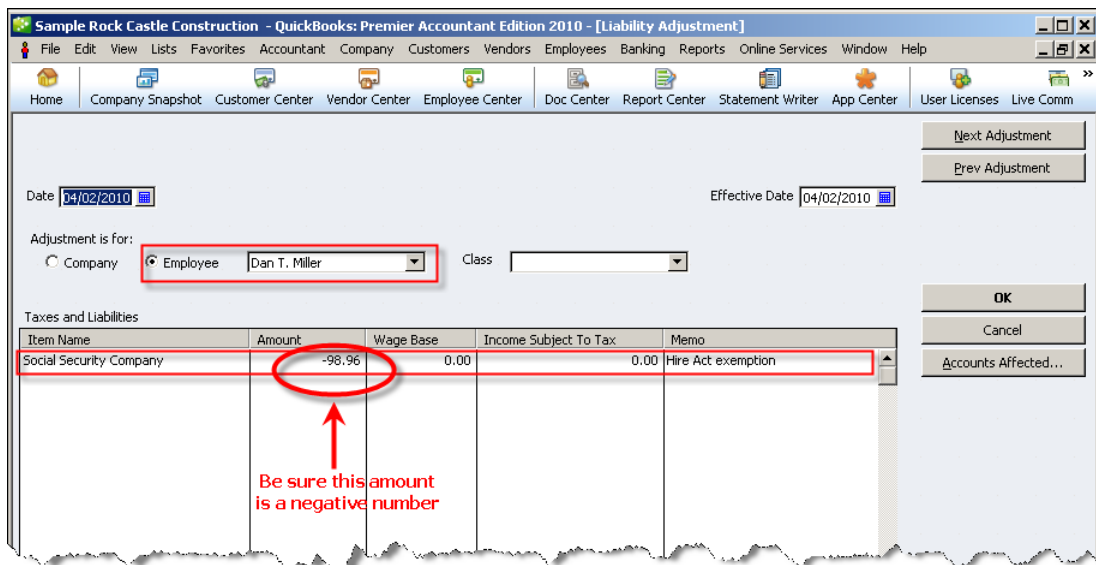
### Make appropriate liability adjustments

You need to make a liability adjustment for each paycheck you created for each qualified employee for the Social Security Company tax amount.

10. From the **Employees** menu, choose **Payroll Taxes and Liabilities > Adjust Payroll Liabilities**.
11. In the **Date** field, enter the date of the paycheck you are adjusting.
 

**Tip:** Start with the earliest date and make the liability adjustments for all qualified employees for that date before proceeding to the next date.

**Note:** For **Basic, Standard, and Enhanced Payroll** only—Since adjustments to prior liabilities can reduce a current liability payment, we recommend that if you have **not** made your April deposit of taxes to the IRS you should make the liability adjustments for April first, pay your April liabilities, and then make the remaining liability adjustments for May.
12. Be sure the **Effective Date** field is the same date as the **Date** field.
13. Select **Employee**, click the drop-down arrow, and select the qualified employee.



14. In the **Item Name** column, click the drop-down arrow, and select **Social Security Company**.
15. In the **Amount** column, enter the amount of the Social Security Company tax paid (from the modified Payroll Detail Item report) as a **negative number**.
16. In the **Memo** column, enter HIRE Act exemption (or a similar note) to explain the adjustment.
17. Click the **Next Adjustment** button to make the next liability adjustment, or click **OK** if you have made all the necessary liability adjustments.

### Rerun the report showing your payroll liabilities

18. Repeat steps 2 through 8 to create a new modified Payroll Item Detail report.
19. Check to be sure that each Social Security Company item has an offsetting liability adjustment in a matching amount.

Sample Rock Castle Construction - QuickBooks: Premier Accountant Edition 2010 - [Payroll Item Detail]

File Edit View Lists Favorites Accountant Company Customers Vendors Employees Banking Reports Online Services Window Help

Home Company Snapshot Customer Center Vendor Center Employee Center Doc Center Report Center Statement Writer App Center User Licenses

Modify Report... Memorize... Print... E-mail Export... Hide Header Refresh

Dates Custom From 04/01/2010 To 05/14/2010 Total By Payroll item detail Sort By Default

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### Rock Castle Construction Payroll Item Detail April 1 through May 14, 2010

Item	Date	Source Name	Payroll Item	Type	Wage Base	Amount
<b>Social Security Company</b>						
605	04/02/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
	04/02/2010	Dan T. Miller	Social Secu...	Liability Adjust	0.00	98.96
625	04/16/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
	04/16/2010	Dan T. Miller	Social Secu...	Liability Adjust	0.00	98.96
646	04/30/2010	Dan T. Miller	Social Secu...	Paycheck	1,596.15	-98.96
	04/30/2010	Dan T. Miller	Social Secu...	Liability Adjust	0.00	98.96
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	05/14/2010	Dan T. Miller	Social Secu...	Liability Adjust	0.00	98.96
Total Social Security Company					6,384.60	0.00
<b>TOTAL</b>					<b>6,384.60</b>	<b>0.00</b>

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## File Employment Tax Returns

The IRS is changing Form 941 beginning with the 2<sup>nd</sup> quarter 2010 filing, as well as the annual Form 943 and Form 944. The revised forms will allow you to report any exempt wages that you paid on behalf of qualified employees beginning March 19, 2010. If you have overpaid the employer portion of Social Security taxes for the filing period, you can use the revised forms to request a refund. These forms will also require you to provide information about the number of qualified employees for whom you are taking the payroll tax exemption.

**Assisted Payroll** users: You can ignore this section. The Assisted Payroll service prepares and files employment tax returns for you.

**Basic Payroll** users: Prepare your employment tax returns by hand, using the payroll reports to determine your tax liability and HIRE Act exempt wages.

**Standard and Enhanced Payroll** users (QuickBooks 2008 or later): Check back here when the payroll update (expected mid-June) supporting the new Form 941 becomes available. Check back here in mid-December for any updates to the annual Form 943 and Form 944.

**QuickBooks 2007 users:** Because this version of QuickBooks is being discontinued on May 31, 2010, QuickBooks 2007 will not support the new employment tax forms (Form 941, Form 943, Form 944). (Your payroll services are valid only when you are using a supported version of QuickBooks.) For more information, visit us at [www.usepayroll.com/prservicediscon](http://www.usepayroll.com/prservicediscon).

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## Frequently Asked Questions

### **Q: What if I'm still using QuickBooks 2007?**

A: Because this version of QuickBooks is being discontinued on May 31, 2010, QuickBooks 2007 will not support the new employment tax forms (Form 941, Form 943, Form 944). In addition, payroll history and data review are not supported for HIRE Act employees. (Your payroll services are valid only when you are using a supported version of QuickBooks.) For more information, visit us at [www.usepayroll.com/prservicediscon](http://www.usepayroll.com/prservicediscon).

### **Q: What happens when I designate an employee as qualified for the HIRE Act exemption?**

A: When you designate an employee as qualified for the HIRE Act payroll tax exemption, QuickBooks (2008 and later) verifies that the Hire Date you have entered for the employee is between February 4 and December 31, 2010. (Note that date validation does not occur in QuickBooks 2007.)

Paychecks you create **after designating** the employee as a Qualified employee and dated **April 1 through December 31, 2010**, do not create a liability for the employer portion of the Social Security tax (the Social Security Company payroll item).

The maximum tax break to you for each employee is \$6,621.60, or 6.2% of the total wages you pay the employee in 2010, up to the \$106,800 Social Security wage cap. This payroll tax exemption has no effect on the employee's future Social Security benefits, and you still need to withhold the employee's 6.2% share of Social Security taxes, as well as income taxes. The employer and employee shares of Medicare taxes also still apply to these wages.

### **Q: Will the 2010 Form W-2 or W-3 be changing because of the HIRE Act payroll tax exemption?**

A: Yes. The IRS is adding a new code (Code CC) for box 12 so that employers can report the amount of exempt wages and tips covered by the payroll tax exemption. The total of wages with code CC will be reported in a new box 12b on Form W-3. **Standard** and **Enhanced Payroll** users (QuickBooks 2008 or later) should refer back to this guide in mid-December for updated information on Forms W-2 and W-3.

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## Revision History

<b>Date</b>	<b>Revision Details</b>
5/13/2009	Original document
5/19/2009	Improved IRS web site links (p. 1); clarified that adjustment amounts should be entered as negative numbers (p. 9).