Yes, The IRS Can Help?

No, I am not trying to be funny! But now that most small businesses have filed their 2009 tax returns, I thought it was a good time to talk about the IRS when it is very fresh in our minds. I have written a little bit about this topic before but I want to add some specifics today about how small businesses can get some real good help from the IRS and not think of them as the big bad enemy.

For example, did you know that there are two new tax benefits now available to employers hiring workers who were previously unemployed or only working part time. These provisions are part of the Hiring Incentives to Restore Employment (HIRE) Act enacted into law today. The IRS gives news releases about such topics but they also post these updates on their website.

Here are some specifics about this example. Employers who hire unemployed workers this year (after Feb. 3, 2010 and before Jan. 1, 2011) may qualify for a 6.2-percent payroll tax incentive, in effect exempting them from their share of Social Security taxes on wages paid to these workers after March 18, 2010. This reduced tax withholding will have no effect on the employee’s future Social Security benefits, and employers would still need to withhold the employee’s 6.2-percent share of Social Security taxes, as well as income taxes. The employer and employee’s shares of Medicare taxes would also still apply to these wages.

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. “These tax breaks offer a much-needed boost to employers willing to expand their payrolls, and businesses and nonprofits should keep these benefits in mind as they plan for the year ahead,” said IRS Commissioner Doug Shulman.

The “take home” message about these new laws is that these two tax benefits could be especially helpful to employers who are adding positions to their payrolls. New hires filling existing positions also qualify but only if the workers they are replacing left voluntarily or for cause. However, note that family members and other relatives do not qualify.

Businesses, agricultural employers, tax-exempt organizations and public colleges and universities all qualify to claim the payroll tax benefit for eligible newly-hired employees. Household employers cannot claim this new tax benefit.

I subscribe to the IRS “eNews For Small Businesses” and find it very helpful to keep up on IRS topics that have specific application to small businesses. For example, in addition to the new laws I discussed, the latest edition has the following topics: Why a husband and wife might not want to be treated as a partnership, Penalty increase for partnership and S Corp returns, Latest news on employee plans, and Recent IRS announcements.

For more guidance on business matters, contact a business mentor at SCORE, "Counselors to America’s Small Businesses." These volunteer counselors provide free, confidential business counseling as well as training workshops to small business owners. For example, next Tuesday night
SCORE’s Spring Small Business Seminar will be on the topic of “IRS Help For Small Businesses” and will be taught by Karen Brehmer, Stakeholder Liaison for the Internal Revenue Service.

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