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MEMORANDUM

To: Human Resources Facilitators

From: Dennis Press *Dennis Press*

Re: University FICA Tax Savings

Date: May 13, 2010

Summary

A recently enacted federal law provides a payroll tax incentive for employers. The University can save the employer portion of the 6.2% Social Security tax on qualified employees for a limited period of time by completing a federal tax form W-11. The payroll tax incentive does not apply to the 6.2% Social Security tax paid by employees, and employees' Social Security benefits are not affected.

Detail Information

The federal Hiring Incentives to Restore Employment (HIRE) Act allows employers such as the University to receive a temporary tax credit for the 6.2% Social Security tax the University pays. The credit is for a limited time period and applies only to the University portion of Social Security taxes. The HIRE Act does not apply to the 6.2% Social Security tax paid by employees. Also, employees' Social Security benefits are not affected.

The tax credit for the 6.2% social security tax the University pays can be claimed:

- for qualified employees,
- for a limited time period,
- with proper documentation.

Qualified Employees

There are three criteria that determine if an individual is a qualified employee. First, qualified employees are individuals who began employment at the University after February 3, 2010, and before January 1, 2011. Second, the individual cannot have worked more than 40 hours in the 60 days preceding his/her first day of employment with the University. Third, the individual cannot have been hired by the University to replace another employee unless the other employee separated from the University voluntarily or for cause.

Limited Time Period

The tax credit to the University applies to Social Security taxes on wages paid to qualified employees from March 19, 2010, through December 31, 2010. Therefore, the University biweekly payroll #19 dated March 26, 2010, was the first payroll affected by the payroll tax incentive, and all the subsequent biweekly and monthly payrolls through the end of calendar year 2010 are also eligible for the payroll tax incentive.

Proper Documentation

The HIRE documentation for new SPA employees will be collected by the Office of Human Resources during the Job Offer Acceptance. However, your assistance is needed to document new EPA or temporary employees that qualify in order for the University to claim the tax credit. Please identify the qualified EPA or temporary employees at the time of hire in your department and obtain a completed Form W-11 from each qualified employee. Form W-11 requires the qualified employee's name and Social Security number, first date of University employment, and signature. The name of employer should be listed as UNC-Chapel Hill.

Your assistance is also needed to update our records regarding qualified employees that started prior to today. Next week, the Office of Human Resources will send all HR Facilitators a list of employees hired in their departments from February 4, 2010, to May 10, 2010. Please have any of these new employees fill out the Form W-11 if they qualify.

The Form W-11, *HIRE Act Employee Affidavit*, is enclosed for your convenience and is also available at <http://www.irs.gov/pub/irs-pdf/fw11.pdf>. You may make copies of the form as you hire any additional qualified employees between now and December 31, 2010. The completed forms should be provided to Payroll Services at CB# 1260, fax 962-5077, or email payroll@unc.edu.

Other Information

The tax savings will be applied to each FRS account that would have paid the University's Social Security taxes for qualified employees. That is, the tax savings will benefit the original source of funding. Payroll Services will be responsible for claiming and distributing the tax credit for the University.

If you have questions about the qualifying criteria or other aspects of this issue, please contact Stephanie Kidd in Payroll Services at 843-0383 or slkidd@email.unc.edu.

Thank you for your assistance.

Enclosure

cc: University Business Managers