



Tax News Flash

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IRS Releases Forms to Claim 6.2% Credit under HIRE Act

On May 18, 2010, the Internal Revenue Service announced (IR-2010-064) that it has issued the newly revised payroll tax form that most eligible employers can use to claim the special payroll tax exemption that applies to many new workers hired during 2010.

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 the employer's share of Social Security tax on wages paid to these workers after March 18. This reduction will have no effect on the employee's future Social Security benefits. The employee's 6.2 percent share of Social Security tax and the employer and employee's shares of Medicare tax still apply to all wages.

Form 941, Employer's Quarterly Federal Tax Return, has been revised for use beginning with the second calendar quarter of 2010. It will be filed by most employers claiming the payroll tax exemption for wages paid to qualified employees. The HIRE Act does not allow employers to claim the exemption for wages paid in the first quarter but provides for a credit in the second quarter. The instructions for the new Form 941 explain how this credit for wages paid from March 19 through March 31 can be claimed on the second quarter return. [Download the new form here](#), with the instructions [here](#).

The HIRE Act requires that employers get a signed statement from each eligible new hire, certifying under penalties of perjury, that he or she was not employed for more than 40 hours during the 60 days before beginning employment with that employer. Employers may use new [Form W-11](#), Hiring Incentives to Restore Employment (HIRE) Act Employee Affidavit, released last month, to meet this requirement.

Hawaii Income Tax Conformity Bill Signed

On May 17, 2010, Governor Lingle signed the Department of Taxation's income tax conformity bill, [HB 2594 CD1](#). This law becomes Act 112 of 2010. We covered this bill in our [April 30th update](#) (see page 3 of that document) but we do have one correction.

- Under the American Recovery and Reinvestment Tax Act of 2009, Treasury is authorized to make monetary grants in lieu of credits for specified energy property. HRS §235-2.3(b)(1), as amended by Act 112, specifically conforms to the federal treatment in IRC §48(d)(3). Thus, such grants will not be included in the gross income of the recipient for Hawaii purposes. Our April 30th update mistakenly identified this as a nonconforming area.

Other bills covered in our [April 30th update](#) that now have official Act numbers are:

- The Barrel Tax, [HB 2421 CD1](#), became Act 73 by veto override on April 29.
- Resurrection of the Estate Tax, [HB 2866 CD1](#), became Act 74 the same way.
- A technical bill redefining “cigars” by weight for Tobacco Tax purposes, [SB 1230 CD1](#), was signed as Act 90 on May 11.

Tax Due Dates Changed; Insurers Now File Monthly

Act 22, [HB 2600](#), changed the due dates for most tax returns that used to be due on the last day of the month after the close of the reporting period. Effective July 1, those returns are now due on the 20th day of the month after the close of the reporting period.

The Department of Taxation, on May 13th, announced in [Announcement 2010-2](#) that it would allow taxpayers some transition time. It will not penalize any taxpayer who files a return by the old due date as long as the reporting period ends on or before December 31, 2010. Penalties will be applied to returns due in February 2011 and thereafter if they are filed after the 20th. (This is similar to the transition time the Department allowed taxpayers affected by the General Excise Tax due date change.) Because General Excise Tax returns are already due on the 20th, the tax types affected by the new law are:

- Transient Accommodations Tax, imposed by HRS Chapter 237D;
- Use Tax, Chapter 238;
- Fuel Tax, Chapter 243;
- Liquor Tax, Chapter 244D;
- Cigarette Tax & Tobacco Tax, Chapter 245; and
- Rental Motor Vehicle Surcharge Tax, Chapter 251.

For **insurance companies**, premium tax returns that used to be due quarterly are now due monthly. The Department of Commerce and Consumer Affairs, Division of Insurance, has issued a [separate announcement](#) regarding these returns. The Insurance Division will expect monthly returns for the month of July onward. The July return is due on August 20th.

If you have questions about any of these news items, your client service team at Accuity can bring you the resources that you may need. Please do not hesitate to contact your client service team for more information or Tom Yamachika at (thomas.yamachika@accuityllp.com)



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