



October 1, 2011
The American Jobs Act

On September 8, 2011, President Obama announced a \$447 billion job-creation plan — the American Jobs Act — which includes significant employee and employer payroll tax cuts, payments to unemployed workers, incentives for companies that hire workers, increased federal spending on infrastructure projects, and additional aid to state and local governments, primarily to forestall layoffs of policemen, firemen and teachers.

There are several key aspects of the proposal that are of particular interest to our clients:

- The reduction of payroll tax for both employers and employees from 6.2% to 3.1% for 2012. (The employer break would be only on the first \$5 million of 2012 payroll).
- Additionally, businesses would pay no payroll tax on any increase in their payroll up to \$50 million above the prior year, whether resulting from new hires, increased wages or both.
- Incremental tax credits would also be available to businesses hiring veterans and the long-term unemployed.
- A series of further specific actions to aid unemployed Americans, including an extension of unemployment insurance benefits, requirements for states to create expanded reemployment assistance programs, work-sharing arrangements that would use UI funds to allow businesses to keep workers on the job at a reduced schedule instead of laying them off, a "wage-insurance" proposal that would use UI funds to encourage older, long-term unemployed individuals to return to work in new industries or occupations without significant loss of income, and labor law prohibitions on discriminating against unemployed workers in hiring decisions.

The President indicated his intent to pay for all these programs — estimated to cost around \$450 billion — via a more aggressive deficit-reduction proposal, which he indicated he will provide this week to the recently-established Congressional committee charged with developing a debt reduction plan. He noted this proposal will concentrate on closing tax "loopholes" and raising taxes on higher-income individuals/households, as well as making some modifications to entitlement plans such as Medicare and Medicaid. Although it is unlikely that all of these proposals will achieve Congressional approval, some, especially the payroll tax components, are likely to garner more comprehensive bi-partisan support.

As with previous recent stimulus-type initiatives, we anticipate active engagement from administration and Congressional committee staff members, via our industry coalitions, as they seek to gain perspective and advice from the main payroll firms as to the logistical challenges that may accompany the practical execution of some of these proposals in what may be a compressed timeframe. As your payroll provider, we will continue to keep you abreast of the situation as it continues to develop. We will take timely action on any matters that affect your payroll.

Yours truly,

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