

# Payroll Tax Deferral Guidance

August 31, 2020

On Friday August 28, 2020, the IRS released new guidance on the executive action signed by President Donald Trump on August 8, 2020. The executive order permits the deferral of the employee's portion of social security taxes for employees whose amount of wages or compensation, payable during any biweekly pay period generally is less than \$4,000, or the equivalent amount with respect to other pay periods.

The decision to opt into the payroll tax deferral is up to the employer. Amounts deferred between September 1, 2020 and December 31, 2020 will be deferred without any penalty or interest. On January 1, 2021, employers will resume withholding taxes from employee paychecks and will also be required to ratably withhold the previously deferred payroll taxes in order to pay them back unless Congress is able to agree on forgiveness legislation of the deferred payroll taxes. These taxes will be due by April 30, 2021 and **will be the responsibility of the employer to collect from the employees to deposit**. Penalties and interest will begin to accrue *on May 1, 2021* for any unpaid taxes

Due to the uncertain nature of the program and the possibility of having to collect deferred payroll taxes from employees, our team feels the best course of action for most employers will be not to defer payroll taxes at this time. The down-side to not participating would be if Congress passes legislation to waive the repayment of the deferred payroll taxes, there could be negative ramifications in employer/employee relationships, unless the legislation gives employees refund rights if their employers were not participating. Since every employer is different, there is not a one size fits all answer so if you have specific questions you should reach out to your CPA at Blystone & Bailey. As more guidance is released in the coming weeks, we will continue to monitor the program and provide updates.

