

## Deferral of 6.2% Employer Social Security Taxes

### **URGENT PAYROLL ISSUES FOR ALL PAYROLLS** **Impacts any payroll dated 4/1/2020 or later**

Under the CARES Act signed on March 27, 2020, as a business, you have the option to defer payment on a portion of your federal payroll tax liabilities for over two years.

With each payroll that you process, you are typically remitting each employee's Social Security, Medicare, and federal withholding taxes to the IRS using the EFTPS system. (If we are processing your payroll, we do this step for you.) In addition, you are remitting your employer match on Social Security and Medicare taxes.

Under the legislation, you can DEFER the payment on the 6.2% employer portion of Social Security tax.

- These deferred taxes would be effective for payroll paid between April 1, 2020 and December 31, 2020.
- Of the amount deferred, 50% of the tax would be due on December 31, 2021.
- The balance of the deferred taxes is due on December 31, 2022.

This is an optional deferral. You may continue to pay the full amount of the taxes the way that you would normally pay them. In addition, if you receive a payroll protection loan, you do not qualify for the tax deferral.

### **Exercise Extreme Caution**

While it is acceptable to delay these payments, it is extremely important that you

While it is reasonable to delay these payments, it is extremely important that you are only deferring the correct amount. In addition, it is critical that you remember to pay these deferred amounts.

## Emergency Sick Leave and Emergency Family Medical Leave

As discussed in previous emails, the Emergency Sick Leave is effective for "leave beginning on April 1, 2020 or later." While this would not be impacting payroll checks today, it may be impacting you soon. Keep in mind that the effect of this benefit for eligible employees will be completely funded by the IRS through the reduction of the EFTPS deposits.

If you are paying sick leave related to the current COVID-19 pandemic, please contact us for assistance on how to track the leave, ensure that the leave is eligible for the credit, and on how to properly reduce your federal EFTPS payments.

## **URGENT - PAYROLL CLIENTS**

If we process your live payroll this week, we need to talk with you immediately about whether or not you want to take action on the deferral of the 6.2% Social Security tax. It would be our recommendation to continue to make federal tax deposits as normal, UNLESS you are experiencing a significant hardship. However, this decision is up to you. We will be contacting you within the next several days to discuss this issue as the correct tax payments must be processed by early next week.

Sincerely,

Your Team at  
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