



CARES Act: Delayed Payment of Employer Payroll Taxes Through December 31, 2020

Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The \$2.2 trillion price tag for tax relief and incentives for individuals and businesses makes it the most expensive piece of legislation ever passed. In order to free up employers' cash flow and retain employees during times of quarantine or shutdown, the CARES Act allows for the deferral of the payment of the employer's share of Social Security taxes and self-employed individuals to defer payment of certain self-employment taxes.

Social Security taxes due from the period beginning on March 27, 2020 and ending on December 31, 2020, can be deferred. The total Social Security tax incurred by employers, and 50 percent of Social Security tax incurred by self-employed persons qualify for the deferral. Half of the deferred payroll taxes are due on December 31, 2021, with the remainder due on December 31, 2022 ("applicable dates"). The Social Security component of employer FICA taxes is imposed at a rate of 6.2% on the first \$137,700 of an employee's wages. The Medicare component of employer FICA is imposed at a rate of 1.45% of an employee's wages and is not eligible for deferral.

Please note that employers that received a Paycheck Protection Program loan may not defer the deposit and payment of the employer's share of Social Security tax that is otherwise due **after** the employer receives a decision from the lender that the loan was forgiven. Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment of the employer's share of Social Security tax due after that date. However, the amount of the deposit and payment of the employer's share of Social Security tax that was deferred through the date that the PPP loan is forgiven continues to be deferred and will be due on the "applicable dates."

In addition to the payroll tax deferment, the CARES Act also provides for an employee retention credit and advance payment of payroll credits for employee paid sick and family leave, which can be combined with the deferral for maximum savings. Please visit IRS site <https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020> for more information or call our office to discuss your available options. If using a third-party payroll service, you will need to notify them prior to processing payroll in order to avoid the employer Social Security tax impound.

We are available if you have questions, concerns or need assistance in any matter. Please stay safe and healthy.

Jay, Dan, John, Patricia, Michael, Mike, Irene, Keith, Danielle and Bob