

Presidential Memorandum on Payroll Tax Deferral

On August 8, 2020, the President signed a Presidential Memorandum would allow employees, who earn less than \$4,000 in a bi-weekly period, to delay the withholding, deposit, and payment of the 6.2% Social Security payroll taxes from September 1 to December 31.

The taxes deferred during this period are then to be withheld from the employees pay pro rata from January 1 to April 30 if Congress does not pass legislation to forgive the tax.

On August 12, in an interview, Treasury Secretary Steven Mnuchin said that this will not be mandatory for businesses, so the business owner is allowed to decide if they want to participate.

This leaves some unknown situations such as:

If the employer does not withhold and pay in the taxes and Congress does not forgive the taxes, then the employer will have to withhold the additional taxes from the employees or pay in the deferred amount themselves.

If the employer chooses not to participate, and not pass on the tax deferral, so that the employees do not receive the intended benefit, then the employer can look like the bad guy.

If the employer does not withhold and an employee leaves prior to April 30th before all the taxes are repaid, does the employer still have to pay and try to collect from the former employee?

At this time, we cannot make a blanket recommendation, but there is some urgency for employers to decide because it is to begin with payrolls dated September 1.

If you decide to not withhold and pay the 6.2% Social Security tax, you may want to consider having your employees sign a form similar to the one that is attached. Just a reminder that since we are not attorneys, we do recommend that you have your attorney approve any document that you have your employees sign.

As always if there is anything we can do to help, please do not hesitate to reach out to our office. We are committed to helping our small business clients through this time.

Lawrence, Nelson & Associates, Ltd.