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Client Bulletin

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Payroll Tax Holiday Guidance Released

The Treasury Department issued long awaited guidance on President Trump's payroll tax holiday memorandum late Friday (8/28/20) afternoon. The key points are listed below.

1. **Employers have the option to participate in this initiative, it is not mandatory**
2. Employers may opt to postpone the collection of **employee** FICA starting Sept 1 and ending Dec 31, 2020.
3. Employers would then be required to collect and remit the deferred taxes between Jan 1 and Apr 30, 2021.
4. The payroll tax holiday only applies to individuals with wages below a bi-weekly threshold of \$4000 (or other pay period equivalent)
5. It is important to note that the guidance indicates that employers are responsible for the withholding and paying back of any deferred taxes (including penalties and interest if the deferred amounts are not paid back by Apr 30, 2021)
6. The Treasury is essentially indicating that employers not withhold from Sept 1 - Dec 31, 2020 and then double withhold from Jan 1 to Apr 30, 2021.

Please be aware that any employer opting to participate in this program will have to institute internal controls associated with implementing this payroll tax deferral, which have not yet been outlined by the Treasury's limited guidance. In addition, opting into this program will saddle employees with large tax bills next year. Finally, it is important to reiterate that the Treasury's guidance puts the responsibility on employers to pay back deferred taxes (even for employees who may leave the company during the deferral timeframe), possibly including penalties and interest.

We are currently adjusting our system to accommodate requests to participate in this program; however, with the limited guidance issued by the Treasury, it will take some time to complete, test, and implement. Please note, since this is an optional program, there may be additional charges associated with the set-up and implementation of this service for clients choosing to participate.

We strongly recommend seeking counsel from your attorney and accountant prior to deciding to participate in this voluntary program, as the complexities of implementing a payroll tax deferral may have many unforeseen legal and financial consequences.

For additional information:

<https://www.irs.gov/pub/irs-drop/n-20-65.pdf>

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