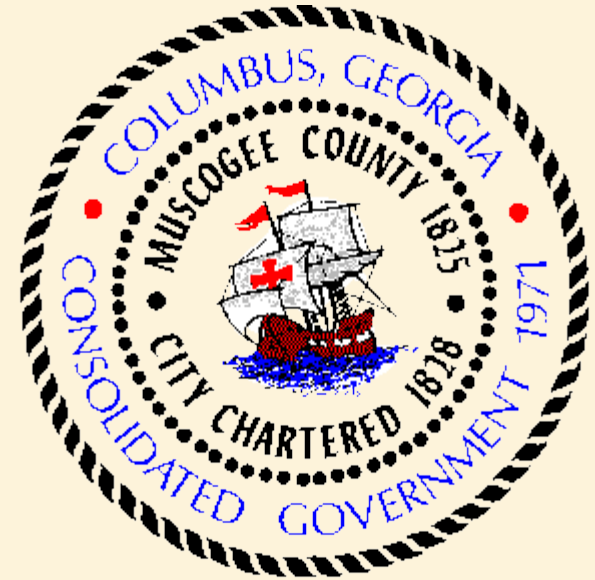


Payroll Tax Deferral Update

September 22, 2020



Payroll Tax Deferral Program Overview

- On August 8, 2020, President Trump issued an executive memorandum that allows employers to defer the 6.2% employee share of the Social Security tax on wages for a four-month period.
- The deferral period is from September 1, 2020 through December 31, 2020.
- The repayment period of the deferred payroll taxes will be from January 1, 2021 through April 30, 2021.

What taxes are eligible for deferral?

- Only the Social Security portion of employee's FICA tax responsibilities are eligible for deferment.
- FICA taxes are payroll tax obligations that are shared equally by both employer and employee at a rate of 7.65% (6.2% for Social Security taxes & 1.45% for Medicare taxes) on applicable employee wages earned during the calendar year.

How will the payroll tax deferral work?

- Participation in the tax deferral program would allow employees to experience a temporary increase of 6.2% in their paychecks during the tax deferral period which is from September 1, 2020 through December 31, 2020.
- However, the tax deferral is not a TAX CUT!
- The deferred taxes must be paid back between January 1, 2021 through April 30, 2021.
- Employee social security tax withholdings doubles (from 6.2% to 12.4%) during the repayment period.

Other Considerations

- Employers are 100% responsible for the repayment of all deferred taxes even if employee withholdings cannot be made.
- Subsequent collection of deferred tax obligations post employment may be challenging and/or non-existent.
- If an employer ultimately pays the employee's deferred tax obligation, and there is no compensation from which to withhold, the employer's payment of the employee's taxes is additional compensation to the employee. As a result, the employer will have reporting and withholding obligations related to the payment of the employee's deferred tax obligation in 2021.

Conclusion

- Employers are not required to participate in the tax deferral program.
- Therefore, it is our recommendation that CCG opt-out of participating in the tax deferral program due to the inherent financial risk and administrative burden for both CCG and its employees.



Questions?