

Tax FAQs:

Social Security Tax Deferral

1. Which employment taxes am I allowed to defer the deposit of?

You are only allowed to defer the deposit of the employer's share of Social Security taxes. That is the amount of tax calculated at 6.2% based on wages up to the Social Security wage base (\$137,700). You are not allowed to defer the employer's share of Medicare taxes (1.45% of wages) or the employee's share of Social Security or Medicare taxes.

2. When can I start deferring the deposit of the employer share of Social Security taxes?

You can defer the deposit of the employer's share of Social Security taxes that were required to be deposited on or after Friday, March 27, 2020. You can defer the deposit of these taxes through December 31, 2020. The period beginning on March 27, 2020, and ending on December 31, 2020, is called the "payroll tax deferral period."

3. When must I deposit the deferred employer share of Social Security taxes?

If you defer the deposit of the employer's share of Social Security taxes during the payroll tax deferral period, you must deposit 50% of these deferred taxes by December 31, 2021. The remaining 50% of the deferred taxes must be deposited by December 31, 2022.

4. Can I defer the deposit of the employer's share of Social Security taxes in addition to receiving the employee retention credit?

Yes. You are entitled to defer the deposit of the employer's share of Social Security taxes before you apply the employee retention credit. In other words, the credit for employee retention is applied after taking into consideration the deferred employer's share of Social Security taxes. Then the application of the employee retention credit will determine how much of your other employment tax deposits (employer's share of Medicare taxes, the employees' shares of Social Security and Medicare taxes, and federal income tax withholdings) may be retained, paid in advance, or refunded to you. As an example, if you are otherwise required to make a deposit of \$9,000, including \$2,000 of employer's share of Social Security taxes and \$7,000 of other employment taxes, you would first defer the deposit of \$2,000 in employer Social Security taxes leaving a deposit liability of \$7,000. If you are also entitled to an employee retention credit of \$2,000, you should reduce the remaining deposit liability by \$2,000 and deposit the remaining \$5,000 of employment taxes on your standard deposit schedule. Of the \$2,000 in deferred employer's share of Social Security taxes, \$1,000 must be deposited by December 31, 2021, and the remaining \$1,000 must be deposited by December 31, 2022.

5. Can I defer the deposit of the employer's share of Social Security taxes if I apply for a Paycheck Protection Program ("PPP") loan?

Yes, you can defer the deposit of the employer's share of Social Security taxes during the period you are applying for, waiting to be approved for a loan, or after receiving loan proceeds. However, you cannot defer the deposit of the employer's share of Social Security taxes for any period after you receive a notice from your lender that your PPP loan has been forgiven.

6. What happens if I have a PPP loan that is forgiven?

Once your lender notifies you that all or a portion of your PPP loan is being forgiven, do not defer the deposit of any of the employer's share of Social Security taxes that are due after that date. The deferral of the employer's share of Social Security taxes that you took before being notified of the loan forgiveness continue to be deferred. In other words, the previously deferred taxes are due on the same timetable described in FAQ 3—50% must be deposited by December 31, 2021, and the remaining 50% must be deposited by December 31, 2022.

7. What if I pay SECA taxes as a self-employed individual?

You are eligible to defer the payment of 50% of the Social Security taxes on net earnings from self-employment beginning on March 27 through December 31, 2020. During that deferral period, the amount you defer will not be used to calculate the installments of estimated taxes you may owe. The amounts you defer are due on the same dates discussed in FAQ 3.

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