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Payroll Taxes

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Apr. 24, 2020

Under the Coronavirus Aid, Relief and Economic Security (CARES) Act that was signed into law on March 27, 2020, businesses may delay paying the employer portion of the Social Security payroll taxes on wages paid for the period from March 27, 2020, through Dec. 31, 2020.

Any 2020 deferred payroll tax amounts would be due to the government in two

the employee's portion of the Social Security tax or the 1.45% Medicare tax.

This deferral option isn't available if the taxpayer had debt forgiven under the CARES Act for certain SBA loans, such as the Paycheck Protection Program loan.

Advantages of the employer portion of Social Security payroll deferral:

- It helps cash-strapped companies with cash flow.
- No interest or penalties will be charged, per IRS Notice 2020-22.
- It applies to all businesses; a business does not need to be adversely affected by COVID-19.
- No application is needed; the deferral is reflected on the quarterly filing of IRS Form 941, Employers Quarterly Federal Tax Return.
- The business can use the money for other purposes.

Disadvantages of the payroll deferral:

- If a business does not need to defer payroll taxes, but chooses to, they may not have the funds when it's time to pay.
- The business may have had debt forgiven under a CARES Act loan, which may have been a higher priority.

Evaluating whether to defer the employer portion of Social Security payroll taxes gives tax professionals a good opportunity to provide valuable advisory services to small business owners during this difficult time.

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