



PAYROLL TAX DEFERRAL UPDATE

The employer's share of Social Security Tax (but not Medicare tax) can be delayed, and paid over two years. The deferral applies to self-employed individuals and recipients of PPP loans (but only until the date of the Payroll Protection Program (PPP) loan forgiveness).

EMPLOYER PAYROLL TAX DELAY

Employers must withhold social security taxes on employee wages. Self-employed individuals are subject to self-employment tax. Under the CARES Act, taxpayers are allowed to defer paying the 6.2% employer share of the Social Security tax (but not the 1.45% employer share of the Medicare tax) through the end of 2020. The tax is payable over the following two years with half paid by Dec. 31, 2021, and the other half by Dec. 31, 2022.

Deferral Period

The deferral applies to deposits and payments of the employer's share of Social Security tax that would otherwise be required to be made during the period beginning Mar. 7, 2020, ending Dec. 31, 2020. (Section 2302 of the CARES Act calls this period the "payroll tax deferral period.")

Applicable Dates

The payment for applicable employment taxes between Mar. 27, 2020, and Jan. 31, 2021, won't be due before the applicable date. The applicable date is:

Dec. 31, 2021, for 50% of employment and self-employment taxes

Dec. 31, 2022, for the remaining 50% of those amounts



Self-Employed Individuals

Self-employed individuals may defer the payment of 50% of the self-employment tax on net earnings for the period beginning Mar. 27, 2020, ending Dec. 31, 2020. The deferred payment amounts are due Dec. 31, 2021, for 50% of employment and self-employment taxes, and Dec. 31, 2022, for the remaining 50% of those amounts.

Paycheck Protection Loan Coordination

Employers who have received a PPP loan may defer deposit and payment of the employer's share of Social Security tax that otherwise would be required to be made beginning Mar. 27, 2020, through the date the lender issues a decision to forgive the loan without incurring failure to deposit and failure to pay penalties. Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment of the employer's share of Social Security tax due after that date. However, the amount of the deposit and payment of the employer's share of Social Security Tax that was deferred through the date that the PPP loan is forgiven continues to be deferred and will be due Dec. 31, 2021, for 50% of employment and self-employment taxes, and Dec. 31, 2022, for the remaining 50% of those amounts.

Read more about Deferral of Payroll Tax Deposits at [IRS FAQs](#)