



Memo to ACSI Member School Leaders
Deferral of Social Security Payroll Taxes – COVID Relief
September 4, 2020

Issue

On August 8th, the President signed a [memorandum](#) directing the Secretary of the Treasury to allow employers to defer some employees' Social Security payroll taxes from September 1 – December 31, 2020. This deferment must be paid back starting January 1, 2021, and no later than April 30, 2021. In the waning days of August, the Treasury Department released [guidance](#) providing little additional clarity on the many remaining questions on how this is to operate. The "relief" would be available for those employees who earn less than \$4,000 biweekly and it is an optional program in which employers can choose to participate. It is unclear whether individual employees can choose to participate or whether the entire pool of qualifying employees are automatically a part of the program if the employer chooses to defer the tax.

Analysis

Current Social Security tax rates are at 6.2%. If an employer chooses to offer this relief employees will see an increase in pay to their paycheck for the remaining four months of the year but then have their pay cut for the first four months of 2021 as their Social Security tax rates would double during that period of repayment. The President's memorandum suggests the deferred taxes may be forgiven at a later date if Congress acts to pass such a measure. In our judgment, there is not a current consensus around passing such relief. Further, this likely will not be resolved before the elections in November and depending on how those elections play out there could be very different responses to this suggestion from whoever is President. As of today, employers and employees alike should not count on this deferral being forgiven and should assume come January 1, they must begin to repay the deferred taxes. This is at best a short-term patch for those who may be struggling during COVID that will have a negative financial impact in the first quarter of 2021 on those same individuals.

This relief has the potential to bring much additional work to HR and payroll teams at Christian schools as well the necessity for very intentional educational efforts for staff to understand that this is essentially a short-term loan that must be repaid. It is also unclear how the Treasury Department will treat employers if an employee leaves employment before repaying the deferred taxes. Typically, it is the employer who is responsible for collecting the employee Social Security taxes and can be fined or worse for not doing so. Ultimately it is the responsibility of the employee, but there may be lingering issues for employers who very likely may be required to pay any outstanding Social Security tax.

Each school will have to make its own determination whether this opportunity is worth the cost of participating. At this time, we believe it likely is not a program in which many employers will want to participate.