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Payroll Holiday August 2020

On Saturday the President issued a Memorandum/Executive Order (EO) to defer withholding and payment of the employee portion of Social Security taxes from 9/1/20 until 12/31/20. This is newsworthy and there have been some inaccuracies in reporting, but there is nothing to do at the moment.

1. Although in a press conference it was reported as 8/1, the EO is effective 9/1.
2. Many articles may refer to this as a payroll tax holiday or even a holiday on employee withholding. The EO is a deferral of the employee portion of Social Security taxes. The employer portion will still apply.
3. The EO instructs the Treasury to issue guidance.
4. Currently this is a deferral which will need to be repaid. Assuming that doesn't change, it is unclear if employers will need to collect the deferred taxes later from employees.
5. The deferral applies to employees with biweekly wages generally at or below \$4,000. It is unclear how that will be defined.
6. Congress has been working on legislation for the next round of relief. If the legislation includes a payroll tax holiday it is likely the EO will be rescinded prior to the effective date.

For the reasons above, we are recommending not to do anything different at this time. Please continue to follow our emails and posts on our website that will cover the guidance when released and any actions that are necessary. Should you have any questions or concerns, please feel free to contact our office.

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