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IRS Issues Guidance on Social Security Tax Deferral

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On August 28, the [IRS issued Notice 2020-65](#) to provide guidance on the President's decision to allow deferral of the employee portion of Social Security taxes owing for the rest of 2020 for employees earning up to \$104,000 per year.

Under the Notice, collection and payment of the employee share of these taxes for the period from September 1 through December 31 of 2020 is postponed until the first quarter of 2021—January 1 through April 30. The employer (called the Affected Taxpayer in the Notice) must withhold and pay the deferred amounts from wages paid between January 1 and April 30, 2021. If unpaid, interest, penalties and additions to tax will begin to accrue on May 1, 2021.

If the employee is no longer earning wages from this employer, this Affected Taxpayer, the [employer is on the hook](#) to pay the amount of taxes deferred for that employee. The Notice says, "If necessary, the Affected Taxpayer may make arrangements to otherwise collect the total Applicable Taxes from the employee."

As in [our previous post](#), we suggest you consult with your payroll service to determine how material the value of the deferrals may be when balanced against the costs of implementing such deferrals.