

Employee Payroll Tax Deferral Option– No Changes Are Being Implemented

Last month a Federal Executive Order provided the option for employers to choose whether or not to implement a temporary deferral of FICA (Social Security) taxes for certain employees from September 1st through December 31, 2020. Employees would be required to pay back these deferred taxes with increased withholding beginning January 1st through April 30, 2021. This would raise the Social Security tax rates from the normal 6.2% to 12.4% during the four months in 2021 to recapture those taxes.

The US Chamber of Commerce noted in their assessment of this Program that “there is uncertainty as to who is ultimately responsible for the repayment of the deferred taxes and what mechanism will be used to collect that repayment.”

Based on this uncertainty and after hearing from some employees, the University believes that the Executive Order has the potential to place a substantial financial burden on employees at the end of the deferral period causing a decrease in net pay for the first four months of 2021.

For this and other reasons, the University will not be implementing this optional program.