



Alio IMPORTANT NOTICE - IRS Guidance on Employee Social Security Payroll Tax Deferral

1 message

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Friday, September 4, 2020

*** IMPORTANT NOTICE ***

IRS Guidance: Employee Social Security Payroll Tax Deferral

Dear Michael,

The IRS released [Notice 2020-65](#) as guidance on the deferral of employee social security tax obligations on pay dates from September 1, 2020 through December 31, 2020.

If your organization has opted to not offer this deferral or is not subject to Social Security Tax, please disregard this notification as no changes need to be made in Alio.

If your organization has yet to decide whether to offer this option to your employees, below are some items from the IRS notice that you may want to discuss with your auditors or legal counsel:

- Employees are eligible only if the wages/compensation paid for a biweekly period is less than the threshold amount of \$4,000 irrespective of wages paid to the employee in other pay periods
 - Determination is made on a pay period-by-pay period basis
- This deferral is a **postponement** of the withholding and payment of the employee portion of Social Security taxes
- An affected employer must withhold and remit the deferred social security tax between January 1, 2021 and April 30, 2021
 - This would be in addition to the normal employee social security tax being withheld
- If unable to withhold the deferral, employers may make arrangements to collect the taxes from the employee
- Beginning May 1, 2021, interest, penalties and additions will accrue to unpaid taxes

Other items to consider if you decide to defer the employee social security taxes during September 1, 2020 through December 31, 2020:

- Require employees to sign an opt-in form
 - Include an explanation that the tax liability is deferred and will need to be repaid
- Outline the steps that will be taken if the employee terminates before the deferred liability is repaid
 - Some sources have reported that the employer will be responsible for repaying any unpaid employee portion even if the employee is no longer employed

Note: Tracking the deferral amounts by employee is VERY important as you will need to know the exact amount deferred for repayment.

As a reminder, this deferral only applies to employee social security withholding; the guidelines for the employer portion of social security have not changed.


The IRS released a draft of the [Form 941, Employer's Quarterly Federal Tax Return](#), which includes lines to report the employee social security tax deferral. This latest Form 941 update will be included in the Alio 21.1 Release.

Weidenhammer is working on the best solution within Alio to track this deferred employee social security tax and completion of Forms 941 and W-2. More guidance will be forthcoming next week for those who choose to implement this directive.

Please contact your Alio support provider or Alio Support if you have any questions at 1-800-914-9879 or wccc@hammer.net.

Sincerely,

 Product Team



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