

DEADLINES APPROACHING FOR REPAYMENT OF DEFERRED PAYROLL TAXES

12/31/21 DEADLINES FOR EMPLOYERS & EMPLOYEES

In an attempt to boost the economy in the midst of the Coronavirus pandemic, the government allowed employers to defer certain payroll taxes for both employers and employees in 2020. Those who opted to do so must pay back the deferred taxes by the applicable deadline. Please read on for more information.

Employer Tax Deferrals

The Coronavirus, Aid, Relief and Economic Security (CARES) Act allowed employers to defer payment of the employer's share of Social Security tax. Employers have more time to pay back their deferred taxes than employees (covered in the section below). The employer repayment schedule is as follows:

- ◆ 50% due by 12/31/2021
- ◆ 50% due by 12/31/2022

Employee Tax Deferrals

IRS Notice 2020-65 (<https://www.irs.gov/pub/irs-drop/n-20-65.pdf>) allowed employers to defer withholding and payment of the employee's Social Security taxes on certain wages paid in 2020. Per the IRS, repayment should be made in full by December 31, 2021, which is the extended deadline that took effect with the Consolidated Appropriations Act of December 2020:

Repayment of the employee's portion of the deferral started January 1, 2021 and will continue through December 31, 2021. Payments made by January 3, 2022, will be timely because December 31, 2021, is a holiday. The employer should send repayments to the IRS as they collect them. If the employer does not repay the deferred portion on time, penalties and interest will apply to any unpaid balance.

BFG Clients with Tax Deferrals

For BFG clients with tax deferrals: Your payroll specialist will reach out to schedule the amounts due for 2021 and recommended payment dates based on your payroll cycle.

Please make note of the following information on deferred tax payments:

- ❖ Payments **must** be coded as a “Deferred Social Security Tax” payment.
- ❖ Payments **cannot** be combined with another tax payment.
- ❖ Payments **cannot** be paid on the same date as a scheduled tax payment.

Resources

- ❖ For information on the employer tax deferral, please see FAQ #18
IRS FAQs: <https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020>
- ❖ For information on the employee tax deferral, please see
IRS Notice 2020-65: <https://www.irs.gov/pub/irs-drop/n-20-65.pdf>

For More Information

If you have any questions, please contact our Payroll team at **210-293-6620**, toll-free at **1-888-757-2104**, or PayrollServices@BFOnline.com.



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