**Briana Anderson - City of Coleraine**

**From:** Joyce Hottinger via LMC - MemberLink <Mail@ConnectedCommunity.org>
**Sent:** Thursday, September 3, 2020 12:28 PM
**To:** Briana Anderson - City of Coleraine
**Subject:** City Clerks/Administrators : IRS Guidance on the Payroll Tax Executive Order

# Member Link

## City ClerksAdministrators

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**IRS Guidance on the Payroll Tax Executive Order**

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Sep 3, 2020 12:28 PM
Joyce Hottinger

Add to Agenda: (Deferment of payroll taxes. (see back for motion)

Good Afternoon,

Thank you for your patience as we work through the newly issued guidance related to Social Security tax withholding. There have been many great questions and we hope this information helps cities understand the recent updates.

The IRS provided guidance in response to the Presidential Memorandum issued on August 8, 2020 deferring the withholding, deposit, and payment of certain payroll tax obligations. Although brief, the guidance provides the following:

- Employers are allowed – but not required – to suspend withholding of Social Security tax
- Social Security tax deferral runs from September 1, 2020 through December 31, 2020
- applies to employees earning wages less than $4,000 for a biweekly pay period
- this is only a deferral
- deferred Social Security tax must be withheld and remitted during the period from January 1, 2021 through April 30, 2021

The League as an employer (and many cities as we have been hearing from as well) are proceeding to continue to withhold and deposit the taxes as usual (i.e. not use the deferral). In the event it is helpful, the League shared this message with our own employees earlier today:

*In August, the President issued an Executive Order allowing certain payroll taxes to be deferred. Most employers, including the League, have been waiting to hear additional guidance on this order before deciding whether to implement it.*

*Additional guidance was released late in August that makes it clear the taxes are only deferred, not forgiven, and employees would be required to pay the taxes during the first few months of 2021 (January through April). It is also clear (and confirmed in a phone call to the IRS) that the employer is not required to offer this tax deferral.*

*At this time, the League is opting not to proceed with processing tax deferrals on Old Age, Survivors and Disability Insurance ("OASDI") taxes for employee payroll dates on and after September 1, 2020 through December 31, 2020. We are concerned about problematic tax implications for some employees down the line because deferred taxes will need to be withheld and paid later in 2021. The program could also cause penalties for the League as an employer and the current guidance leaves many questions unanswered. With so many unknowns, the last thing we want is to create a difficult tax situation for anyone.*

*If you have any questions, you may contact anyone in the HR department by e-mailing HRBenefits@lmc.org. You can also read more about this in the National Law Review.*

As always, please let us know if we may be of additional assistance in your important work for cities.
Have a wonderful day!

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Joyce Hottinger
Assistant HR Director
League of Minnesota Cities
Saint Paul MN
(651) 281-1216
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Motion: "The City of Coleraine, employer, will not proceed with offering or processing tax deferrals to its employeess made optional by Presidential Executive Order issued August, 2020 due to the potential detrimental tax implications for both the employee and employer in 2021."