

## MEMORANDUM

**TO:** The University Community

**FROM:** Office of Human Resources, Payroll Department

**DATE:** September 11, 2020

**RE:** Payroll Tax Deferral – PASSHE Decision Not to Implement

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On August 8, 2020, President Trump issued an executive order containing a Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster. This memorandum addressed the deferral of Social Security payroll taxes on compensation paid during the period of September 1, 2020, through December 31, 2020, for employees whose bi-weekly pre-tax compensation is generally less than \$4,000.

On August 28, the Internal Revenue Service (IRS) issued Notice 2020-65, providing limited guidance on the implementation of this memorandum, which included the following:

- Implementation of the employee Social Security payroll tax deferral is optional on the part of the employer.
- Employers who choose to implement the order and suspend collection of eligible employees' Social Security payroll taxes during the four-month suspension period must collect and pay the deferred taxes to the IRS during the first four months of 2021. Accordingly, during that time period an employee would be subject to withholding of both the deferred Social Security payroll taxes and the current Social Security payroll taxes.
- If an employee leaves employment prior to repayment, the employer remains liable for the employee's portion of the unpaid Social Security payroll taxes.

After full consideration of the issue, the State System has decided **not** to stop the withholding of Social Security taxes from employees' pay at this time. This decision is consistent with the direction being taken by the Commonwealth of Pennsylvania for its workforce.

In the event that Congress passes legislation forgiving the tax repayment, or the Treasury Department issues additional guidance that substantially changes this program, the State System will reassess this decision and you will be promptly notified of changes, if any.

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