

March 31, 2020

CARES Act Allows Delay of Employer Payroll Tax Payments

An employer is responsible for paying its share (6.2 percent) of Social Security taxes and its share (1.45 percent) of Medicare taxes for each employee's covered wages. Generally, an employer must deposit such amounts to the U.S. Treasury electronically either semi-weekly or monthly. The CARES Act will allow employers (and self-employed individuals), to defer paying their portion of the Social Security payroll tax (6.2 percent) otherwise due with respect to wages accrued between March 27, 2020 and December 31, 2020. The deferred amounts will ultimately have to be paid to the U.S. Treasury in two installments. Half of the deferred amount of payroll taxes from 2020 will be due December 31, 2021, with the remaining half due December 31, 2022.

The above delay provisions apply to all employers regardless of size. However, employers who receive Small Business Act loans that are forgiven under the CARES Act (so that the Federal government effectively gave them cash—that they did not have to repay—to fund as much as eight weeks of their payroll costs) are not eligible for this payroll tax deferral.