

IRS Allows PPP Borrowers Limited Deferral of Social Security Tax

The CARES Act permits employers to defer the deposit and payment of the employer's portion of social security taxes that otherwise would be due between March 27, 2020, and Dec. 31, 2020. Half of these deferred payments can be made by the end of 2021, the other half by the end of 2022. Originally, the Act stated that Paycheck Protection Program ("PPP") loan recipients that received forgiveness of a PPP loan were not eligible to defer payment of the employer's social security tax.

However, the IRS just issued guidance regarding the payroll tax deferrals. The highlight from this latest round of clarification: **Paycheck Protection Program loan recipients are now eligible to defer deposit and payment of the employer's share of social security tax**, until the employer receives a decision from its lender that the loan is forgiven. At that time, and on a going forward basis, the employer is no longer eligible to defer such taxes after that date. All employers are eligible.

The IRS will revise Form 941 (Employer's Quarterly Federal Tax Return) for the second calendar quarter of 2020 (April through June 2020). The IRS will issue additional information about how employers should reflect deferred deposits and payments after March 27, 2020 for the first quarter of 2020 (i.e. January through March of 2020). In no case will employers be required to make a special election to be able to defer deposits and payments of these employment taxes.

Additionally, self-employed individuals are eligible to defer paying self-employment tax. The guidance explains that self-employed individuals, like employers who pay social security taxes, may defer payment of 50 percent of the social security tax on net earnings from self-employment income.

Please read this link for more information. <https://www.irs.gov/newsroom/deferral-of-employment-tax-deposits-and-payments-through-december-31-2020>

Contact Us

Reach out to Fraser Stryker's business attorneys for more information. We are here to help:



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