

IRS Alert; Employers can withhold, make payments of deferred Social Security taxes from 2020

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IRS Alert

<https://www.irs.gov/pub/irs-drop/n-21-11.pdf>

WASHINGTON – The Internal Revenue Service today released Notice 2021-11 addressing how employers who elected to defer certain employees' taxes can withhold and pay the deferred taxes throughout 2021 instead of just the first four months of the year.

In response to a presidential memorandum signed Aug. 8, 2020, Notice 2020-65 was issued on Aug. 28, 2020, giving employers the option to defer certain employees' Social Security taxes from Sept. 1, 2020, to Dec. 31, 2020. This applied to employees paid less than \$4,000 every two weeks, or an equivalent amount for other pay periods, with each pay period considered separately. The taxes, which are technically called Old Age, Survivors and Disability Insurance, or OASDI, are calculated at 6.2% of employees' wages.

Any taxes deferred under Notice 2020-65 are withheld and paid ratably from employee wages between Jan. 1, 2021, until April 30, 2021. However, the Consolidated Appropriations Act, 2021, signed into law December 27, extended the period that the deferred taxes are withheld and paid ratably. The period is now for the entire year – from Jan. 1, 2021, through Dec. 31, 2021. Notice 2021-11 makes changes to Notice 2020-65 to reflect this extended period. Payments made by Jan. 3, 2022, will be considered timely because Dec. 31, 2021, is a legal holiday. Penalties, interest and additions to tax will now start to apply on Jan. 1, 2022, for any unpaid balances.

Employees could see their deferred taxes being collected immediately. Employees should check with their organization's payroll point of contact on what their collection schedule will be.

Additional tax relief related to the COVID-19 pandemic can be found on [IRS.gov](https://www.irs.gov).

Practices

- Tax Controversies