

Businesses Need Clarity on Payroll Tax Deferral

The Trump administration's good-intentioned move to defer payroll taxes needs more clarity, stated the U.S. Chamber in a letter sent to the Treasury Department yesterday.

What's happened? Last weekend, President Trump signed an Executive Order temporarily delaying Social Security taxes paid by workers starting September 1 and running to the end of the year.

This has created many questions, as noted in a [letter](#) the U.S. Chamber sent to the Treasury Department.

What are some of the concerns? One is that as reports indicate, if the deferral is optional who decides to defer, the employer or the employee? Also, "there is uncertainty as to who is ultimately liable for the repayment of the deferred taxes, and when the repayment will be due and what mechanism will be used to collect that repayment."

Anything else? Questions arise about how to apply this in other situations, such as

- Employees who have fluctuating salaries or receive bonuses
- Short-term employees like seasonal workers
- Employees who leave their job before the end of the deferral period

Why it matters: Until these questions are answered, businesses and employees face considerable uncertainty. It "exacerbates the challenges faced by payroll processors and compliance departments who are already struggling to implement this EO in an extremely short period of time," the letter states.

In addition, because it's a deferral "without Congressional action to forgive the payroll tax, it threatens to impose serious hardships on employees who will face a large tax bill at the end of the deferral period."

Our take: "There remains widespread uncertainty on how businesses will implement and apply the Executive Order, and as American employers, workers and families work to navigate the COVID-19 crisis they need clarity not more confusion," said U.S. Chamber Executive Vice President and Chief Policy Officer Neil Bradley in a [statement](#). "We urge the Treasury Department to issue clear guidance for implementing this payroll tax Executive Order."