

BRIEFING CARD

Sep 8, 2020

Social Security Tax Deferment

Key Points

- In response to the Presidential Memorandum issued on August 8, 2020, and Internal Revenue Service guidance issued August 28, 2020, withholding of 6.2% of wages subject to social security tax will be deferred for service members and civilian employees under the wage threshold.
- This change is effective now through the end of the 2020 calendar year.
- Employees will not be able to opt-in or opt-out.

Supporting Facts

- **Military Members** - Effective for the September mid-month pay, DoD will temporarily defer the withholding of your 6.2% Old-Age, Survivors, and Disability Insurance (OASDI) tax if your monthly rate of basic pay is less than \$8,666.66. If your monthly rate of basic pay is at or above this threshold, your social security tax withholding will not be affected by the temporary deferral.
- **Civilian Employees** - Effective pay period ending September 12, 2020, DoD will temporarily defer your 6.2% OASDI tax withholding if your wages, subject to OASDI are \$4,000 or less in any given pay period. Employees can use the "Taxable Wages" on the LES as a good reference for whether they will have OASDI tax deferred.
- Partnering with the Office of Management and Budget and the Office of Personnel Management, the DoD implemented the guidance according to the expectation that all Federal Civilian and Military Payroll Providers will act in unison. As such, no Payroll Providers, Departments/Agencies, or employees will be able to opt-in/opt-out of the deferral.
- Per current IRS guidance, collection of the deferred taxes occur from January 1 and April 30, 2021 for both military members and civilian employees.
- If a military member or civilian employee separates or retires in 2020 before the Social Security tax can be collected in 2021, they are still responsible for the Social Security tax repayment. Additional information on the collection process will be provided in the future.
- Applicability will be determined on a pay period-by-pay period basis and could vary according to the wages subject to OASDI withholding. The deferral will not impact those employees in Retirement Plans not subject to Social Security withholding (i.e. CSRS).

Q&A

Q. Why are Social Security taxes being deferred?

A. In order to provide relief during the COVID-19 pandemic, a Presidential Memorandum was issued on August 8, 2020, and guidance followed by Internal Revenue Service on August 28, 2020, to temporarily defer Social Security (Old Age, Survivors, and Disability Insurance (OASDI)), as seen on the Army, Air Force, and Navy Service Members' Leave and Earnings Statement as "FICA-SOC SECURITY") tax withholdings. The Social Security tax is labeled as "Social Security" on the LES for the Marine Corps. For civilians, the OASDI deduction is found on your LES under the deductions tab/section.

Q. Can anyone opt out?

A. No. The Office of Management and Budget directed all Executive Branch Agencies to implement the tax deferral. No Payroll Providers, Departments/Agencies, or service members will be able to opt-in/opt-out of the deferral.

Q. Will military members be required to pay back the deferred taxes?

A. Yes. Current IRS guidance indicates the payment of the deferred taxes is postponed until January 1, 2021. The deferred Social Security taxes not withheld from wages during 2020 will be collected from wages paid between January 1, 2021, and April 30, 2021.

Q. When will the payroll tax deferral begin?

A. The deferral of the withholding of the Social Security tax for service members will be effective for mid-month pay September.

For civilians the deferral is effective on pay period ending, September 12, 2020.

For Non-Appropriated Fund (NAF), under the A&E (Alternate & Europe) cycle, the deferral is effective for pay period ending September 9, 2020 or September 16, 2020 for R (Regular) cycle.

Q. Is there an option to put money aside in my paycheck to offset the deferred taxes?

A. I refer military members to the personal financial management staff at their installation Military and Family Support Center or Military One Source to discuss options to help prepare to pay back the deferred taxes.

For Civilians with concerns regarding repayment of the deferred OASDI, please consult with an Employee Assistance Program financial counselor or a private financial advisor.

Q. Can the deferred Social Security tax liability be waived?

A. Only Congress has the authority to forgive taxes. Deferral of the Social Security tax only postpones when the taxes are due.

Q. Will the deferred taxes be forgiven by Congress?

A. Congress has not made a determination on forgiving the tax deferral debt. Under current IRS guidance, service members and civilian employees should plan on repaying the deferred taxes beginning January 1.

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