

## Want to Use the New Payroll Tax Deferral? Read This First

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Advertised as a "tax holiday," businesses still need to be careful when choosing to implement President Donald Trump's payroll tax deferral that took effect September 1.

While it sounds like a good idea to help coronavirus-plagued businesses and cash-strapped employees - [companies do not need to withhold payroll taxes for the rest of the year](#) - it comes with a stiff bill starting January 1.

The deferral is just that - a deferral. It is not payroll tax forgiveness. Employees may appreciate the extra cash through the rest of the year, but on January 1, businesses will have to not just withhold payroll tax once again, but start playing catch-up with employee paychecks to make up for the taxes that weren't paid in this deferral period.

That's according to the IRS and the U.S. Treasury Department, which [released guidance](#) to Trump's August 8 executive order late last week, just days before the payroll tax deferral went into effect. It's left some businesses scrambling to figure out how to implement the system, and questioning whether they should do it at all.

There are some conditions for companies choosing to use the tax holiday. It applies only to those employees whose bi-weekly checks are less than \$4,000 (\$104,000 per year). And it has not been revealed on how companies will deal with employees who leave the business during the time of deferral - companies may be on the hook for the deferred tax from those employees.

If you have any questions about the payroll tax deferral for your business, please [contact me](#) or any member of the firm's [Business Practice Group](#).