Re: CARES Act: Delayed Payment of Employer Payroll Taxes

Dear Valued Client:

After days of furious negotiations, Congress has passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The $2.2 trillion price tag for tax relief and incentives for individuals and businesses makes it the most expensive piece of legislation ever passed. In order to free up employers' cash flow and retain employees during times of quarantine or shutdown, the CARES Act defers the payment of the employer share of payroll taxes.

In general, under the Federal Insurance Contributions Act (FICA), taxes are imposed on both employers and employees on wages paid to the employee for Social Security (old-age, survivors, and disability insurance (OASDI)), and Medicare hospital insurance (HI). The FICA taxes are imposed on both the employer and the employee at a rate of 6.2 percent for OASDI and 1.45 percent for HI for a total of 7.65 percent for the employee and 7.65 for the employer (15.3 percent total).

Payroll taxes due from the period beginning on the date the CARES Act is signed into law and ending on December 31, 2020, can be deferred. The total payroll taxes incurred by employers, and 50 percent of payroll taxes incurred by self-employed persons qualify for the deferral. Half of the deferred payroll taxes are due on December 31, 2021, with the remainder due on December 31, 2022.

In addition to the payroll tax deferment, the CARES Act also provides for an employee retention credit and advance payment of payroll credits for employee paid sick and family leave. Please call or e-mail our office to discuss your available options.

Sincerely,

The Huggins and Company Team