

Update on Payroll Tax Deferral

We are finally learning more information about the president's payroll tax deferral program and how it will affect federal employees.

First, the temporary deferral has already begun and the change will be reflected in the next paycheck you receive sometime between Sept. 18 and Sept. 21.

We join in your frustration with the imprecise and incomplete information provided by the administration because it appears this change has already been implemented without full disclosure of the implications to federal workers.

Based on what various federal payroll providers have told us, the deferral began in Pay Period 18, which started Aug. 30 and runs through Sept. 12. If you earn less than \$104,000 a year, this means the 6.2 percent payroll tax (which goes toward Social Security) will no longer be withheld from your paycheck for the remainder of 2020. Your paychecks will be larger.

Second, eligibility for the tax deferral will be determined each pay period. Employees with gross wages of less than \$4,000 per pay period are eligible. If a change increases gross wages above \$4,000, such as overtime, that paycheck will not be subject to the deferral.

Third, federal employees will not be able to opt-out of this deferral. Despite the requests from NTEU and many members of Congress, the administration is mandating this for all eligible federal workers.

Fourth, the deferred taxes must be paid back in 2021. The administration has not provided exact details, but it is likely the government will collect the deferred taxes by withholding them from paychecks between January 1, 2021, and April 30, 2021. The collection of the deferred taxes will be in addition to all normal tax withholdings, which will make your paycheck smaller during those four months.

Fifth, employees must be prepared to pay the deferred taxes next year. No president can unilaterally forgive this debt for federal workers; that power belongs solely to Congress. Congress *could* pass a law saying that employees do not have to pay the deferred taxes, but there is little support on Capitol Hill for putting an additional financial strain on the Social Security program.

Sixth, federal workers who retire or leave federal service during the deferral are still liable for repaying the tax after they depart. We are still waiting for information about how agencies may collect from employees who plan to leave federal service, which could include withholding the debt from final salary payments.

There are still some important details that are missing. Some agencies have sent alerts to their employees about this deferral; some have not. And some of the alerts are downright misleading by failing to mention that the deferred taxes must be paid later.

NTEU put several questions in writing to [Office of Management and Budget Director Russell Vought](#), but has not heard back yet. Members of the House and Senate have also peppered the administration with requests for more information on the implications for the federal workforce, especially as so many private sector employers are choosing not to force this deferral on their employees.

What should you do? If you are eligible for the deferral, we are advising employees to be financially prepared for the additional tax debt you will face and be ready for smaller-than-expected paychecks in the first four months of 2021.

We will keep you posted with information as we receive it.