

## Payroll Tax Withholding Deferral for USDA Employees

In light of the ongoing COVID-19 pandemic, a [Presidential Memorandum](#) was issued on August 8, 2020 directing the Secretary of the Treasury to defer social security payroll tax withholdings for eligible employees during the period of September 1, 2020, through December 31, 2020. The Executive Branch will implement this deferral for all eligible federal employees.

The Department of Agriculture's payroll provider, the National Finance Center (NFC), is working diligently to implement this tax deferral for eligible employees. NFC will automatically calculate employees' eligibility for the tax deferral on a pay period-by-pay period basis, and only eligible employees should expect to see increased amounts in their take home pay beginning with pay period 18, which ends on September 12, 2020, and continuing with paychecks issued through December 31, 2020. Any payroll taxes not withheld from employees' wages during 2020 will be repaid from wages between January 1, 2021, and April 30, 2021.

We recognize that these changes have spurred questions regarding how the tax deferral will be implemented. While NFC is still working to implement these changes, below you will find a series of Frequently Asked Questions (FAQs).

Thank you for your patience as we work to update you on this important change. For additional information or questions regarding the tax deferral, employees should contact their agency's Human Resources Office.

### Employee FAQ - Payroll Tax Deferral

#### Q: What is the payroll tax deferral?

A Presidential Memorandum, [Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster](#), was issued on August 8, 2020 to temporarily defer the employee portion of Social Security payroll taxes for certain individuals.

On August 28, the Internal Revenue Service (IRS) issued [IRS Notice 2020-65](#) providing additional detail for the implementation of this Executive Order. This notice provides instructions on the deferral (delayed collection) of the employee's portion (6.2%) of the old-age, survivors, and disability insurance (OASDI) tax obligations. Medicare payroll taxes and the employer portion of Social Security payroll taxes are not included in the Presidential Memorandum.

#### Q: What is the Social Security tax?

The OASDI tax, commonly referred to as the Social Security tax, is the money your payroll provider deducts from your biweekly pay (known as the employee's share). This amount is added to an additional OASDI amount which your employing agency pays for you (known as the employer's share) to the federal government in order to fund the Social Security program. These amounts are specifically identified on your biweekly earnings and leave statements which can be found on your [Employee Personal Page](#).

#### Q: How can I determine if I'm an "eligible employee" for the Social Security Tax Deferral?

For those employees who would normally have OASDI withheld, the National Finance Center, the U.S. Department of Agriculture's payroll provider, will automatically calculate your eligibility on a pay period-by-pay period basis. The payroll tax deferral will be implemented for all Executive Branch agencies and their eligible employees, and if you are eligible for the deferral, you will automatically see a change in your paycheck.

Eligible employees are those who make less than \$4,000 per bi-weekly period in social security wages. Social security wages consist of the portion of an employee's pay subject to the OASDI 6.2% tax. This will be calculated each pay period, so your eligibility may change from pay period to pay period. Deferring may vary by employee by pay period, based upon any changes in their social security wages in that pay period, which may take them above or below the \$4,000 threshold.

**Q: When does the deferral begin, and how long does the deferral last?**

The implementation of the deferral should start with the second paycheck in September. The deferral period will end with paychecks issued through December 31, 2020.

**Q: Can I "Opt-Out" and pay my employee portion of social security taxes on time?**

There is no choice to opt-out or to opt-in. All Executive Branch agencies will implement this tax deferral on the employee portion of social security taxes across the board for all eligible employees.

**Q: Since this is a tax deferral, when will I have to pay it back?**

The IRS notice states that taxes deferred must be withheld and paid between January 01, 2021, and April 30, 2021 or interest, penalties, and additions to tax will begin to accrue on May 1, 2021, with respect to any unpaid applicable taxes. As a result, and absent of additional Congressional action, employees with tax deferrals will have their net (take home) pay reduced until all deferred taxes have been paid.

Employers have the flexibility over the first four months of 2021 to withhold in installments and remit on a prorated basis the Social Security payroll taxes that were deferred. If an employer is unable to do so, then the employer may make arrangements to otherwise collect the deferred taxes from the employee.

**Q: Who is my payroll provider?**

As an employee of the U.S. Department of Agriculture, the National Finance Center (NFC) is your payroll provider. However, payroll questions should be directed to your agency's Human Resources Office who will interact with NFC on your behalf. The NFC webpage can be accessed at <https://nfc.usda.gov/>.

**Lost/stolen laptop, Smartphone or other Personal Data Assistant (PDA) or Personally Identifiable Information (PII) Incident? Immediately contact USDA at 1-877-Pii2You or 1-888-926-2373, 24 hours a day, and then contact the FSIS Service Desk at 1 (800) 473-9135.**