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Delay of Payment Due Date on Employer Payroll Taxes Hoped to Ease Cashflow Concerns

March 27, 2020 – As a direct result of the economic downturn related to the spread of the COVID-19 virus, as well as the preventative measure put in place by federal, state, and local agencies, revenue streams for businesses of all sizes are dwindling. And while cash inflows are lacking, the pressures of meeting existing cash outflow obligations can become increasingly daunting. As part of the response to the COVID-19 economic crisis, the Federal Government has rolled out the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act.

Included in the CARES Act is a provision that allows for the delay of payment of employer payroll taxes. The government has taken note that cashflow may become an issue if aid is not provided for businesses who have been negatively affected by circumstances brought forth by COVID-19. So, in an effort to help keep cash in the hands of the people in their times of need, they are allowing for the deferment of employers' shares of Social Security taxes that they otherwise would have been responsible for remitting to the government.

While most employers are typically responsible for paying a 6.2 percent Social Security tax on employee wages, this provision in the CARES act allows them to defer the due date of these payments. Under the new Act, the first half of the tax on all wages paid through the end of 2020 will now be due no later than December 31, 2021 and the second half can be deferred up to another year, with the new due date falling on December 31, 2022.

With this provision, along with the rest of the extensive CARES Act, the government hopes to ease the financial burden of those who are impacted during this unprecedented time.

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