NARA Notice 2020-178: Temporary Payroll Tax Deferral

To: All Employees.

Attention supervisors: If you have employees who do not have access to a computer, please ensure that those employees receive a copy of this notice. This includes employees on LWOP or paid leave.

On September 11, 2020, the Office of Management and Budget (OMB) issued Memorandum M-20-35, Guidance on Implementing Payroll Tax Deferral for Federal Employees. M-20-35 directs agencies to temporarily stop withholding the 6.2 percent tax for Old Age, Survivors, and Disability Insurance (OASDI) from the bi-weekly paychecks of qualifying Federal employees.

Beginning in pay period 19 (official pay date is September 22, although many employees will receive payment earlier), the standard 6.2 percent withholding for OASDI will not be withheld from an employee’s paycheck in any pay period where her or his bi-weekly wages that are subject to the OASDI tax are less than $4,000. The payroll tax deferral will continue through pay period 26 (official pay date of December 29, 2020).

Because taxes are deferred, and not waived, Leave and Earnings Statements (LES) for qualified employees will continue to show that the 6.2 percent OASDI contributions have been collected, but a message on the LES will explain that the OASDI deduction has been deferred. The net amount reflected on the LES will include the amount normally withheld for OASDI.

Current IRS guidance requires that employees who qualify for the payroll tax deferral will be required to repay the deferred amount between January 1, 2021 and April 30, 2021. We do not have information on how or when to make repayments. Our payroll shared services provider, the Department of the Interior, Interior Business Center, has requested repayment guidance from the IRS and we will provide additional information as soon as it is available.

This change is required to implement the Presidential Memorandum dated August 8, 2020, Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster. This Memorandum and OMB M-20-35 require agencies to defer payroll taxes for all qualified employees in the Executive Branch. Employees who separate from Federal service before the deferred taxes are fully repaid will remain liable for repayment.

Thank you for your cooperation and understanding.

Colleen Murphy
Chief Financial Officer
If you have questions about this notice, contact:

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