2020 Employee Deferred Social Security Tax
(Effective 09/01/2020)

Effective **August 8, 2020, Notice 2020-65** posted on IRS.gov, makes relief available for employers and generally applies to wages paid through these dates. The Department of Treasury and Internal Revenue Service issued guidance implementing the Presidential Memorandum issued on August 8, 2020. This allows employers to defer withholding and payment of the employee's portion of the Social Security tax if the employee's wages are below a certain amount.

The employee Social Security tax deferral may apply to payments of taxable wages to an employee that are less than $4,000 during a bi-weekly pay period, with each pay period considered separately. No deferral is available for any payment to an employee of taxable wages of $4,000 or above for a bi-weekly pay period. This notice postpones the time for employers to withhold and pay employee Social Security taxes.

Below is the actual information from the PDF of **IRS Form N-20-65** for your specific reading. Afterwards, we will provide you with instructions on how to configure your **Data Pro Infinity POWER Payroll** module to adopt to these new IRS guidelines.

https://www.irs.gov/pub/irs-drop/n-20-65.pdf

It is recommended that **Employers** create a document for their files to add to Employee's personnel files to have each **Employee** sign and acknowledge, whether or not, that they want you **(the Employer)** to withhold their **(Employee)** Social Security Tax through the end of 2020.

Part III - Administrative, Procedural, and Miscellaneous Relief with Respect to Employment Tax Deadlines Applicable to Employers Affected by the Ongoing Coronavirus (COVID-19) Disease 2019 Pandemic

Notice 2020-65

On August 8, 2020, the President of the United States issued a Presidential Memorandum directing the Secretary of the Treasury (Secretary) to use his authority pursuant to section 7508A of the Internal Revenue Code (Code) to defer the withholding, deposit, and payment of certain payroll tax obligations.[1] Accordingly, the Secretary has determined that employers that are required to withhold and pay the employee share of social security tax under section 3102(a) or the railroad retirement tax equivalent under section 3202(a) are affected by the COVID-19 emergency for purposes of the relief described in the Presidential Memorandum and this notice (Affected Taxpayers). For Affected Taxpayers, the due date for the withholding and payment[2] of the tax imposed by section 3101(a), and so much of the tax imposed by section 3201 as is attributable to the rate in effect under section 3101(a), on Applicable Wages, as defined herein, (collectively Applicable Taxes) is postponed until the period beginning on January 1, 2021, and ending on April 30, 2021.

Applicable Wages

For purposes of this notice, Applicable Wages means wages as defined in section 3121(a) or compensation as defined in section 3231(e)[3] paid to an employee on a pay date during the period beginning on September 1, 2020, and ending on December 31, 2020, but only if the amount of such wages or compensation paid for a bi-weekly pay period is less than the threshold amount of $4,000, or the equivalent threshold amount with respect to other pay periods. The determination of Applicable Wages is made on a pay period-by-pay period basis. If the amount of wages or compensation payable to an employee for a pay period is less than the corresponding pay period threshold amount, then that amount is considered Applicable Wages for the pay period, and the relief provided in this notice applies to those wages or that compensation paid to that employee for that pay period, irrespective of the amount of wages or compensation paid to the employee for other pay periods.

[1] The Presidential Memorandum is available at https://www.federalregister.gov/d/2020-17899..

[2] The deposit obligation for employee social security tax does not arise until the tax is withheld. Accordingly, by postponing the time for withholding the employee social security tax, the deposit obligation is delayed by operation of the regulations. Thus, this notice does not separately postpone the deposit obligation.

[3] Because Applicable Wages are defined as wages as defined in section 3121(a) and compensation as defined in section 3231(e), any amounts excluded from wages or compensation under these sections are not included when determining Applicable Wages.

Payment of Deferred Applicable Taxes

An Affected Taxpayer must withhold and pay the total Applicable Taxes that the Affected Taxpayer deferred under this notice ratably from wages and compensation paid between January 1, 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. If necessary, the Affected Taxpayer may make arrangements to otherwise collect the total Applicable Taxes from the employee.

Drafting Information.

The principal authors of this notice are attorneys of the Office of Associate Chief Counsel, Employee Plans, Exempt Organizations, and Employment Taxes, with the participation of staff from other offices. For further information regarding the guidance under this notice, please call the Notice 2020-65 Hotline at (202) 317-5436 (not a toll-free number).

Instructions on how to Set Up Employee Social Security Deferrals for 2020 and repayments in 2021 in Data Pro Infinity POWER Payroll

Currently, the rules provide that Employees making less than $4,000 in a Bi-weekly pay cycle may postpone payment of the Employee Social Security Tax deferral (Applicable Taxes) to January 1, 2021 and ending on April 30, 2021. That could change in the future, but that is not certain at this time. Therefore, the structure outlined herein will provide you with the steps to track the deferral of the Social Security Tax during each Payroll cycle, by each Employee, who choose to take this option. It tracks the amounts properly so that in 2021, you will able to withdraw the necessary payback amounts from each Employee during 2021 through the tax filing deadline.

Load your **Data Pro Infinity POWER** programs as normal. Select the **"Payroll Configuration"** menu option from the **"Set Up and Maintenance"** menu.

Set Up and Maintenance	Help	
Set Up Employees		Ctrl+F1
Import Employees		
Rename PR Employee Number		
Set Up Departments		
Set Up Special Pay Types		
Set Up Tax Tables		
Update Tax Table From Master File		
Set Up Workers' Comp Classes		
Payroll Configuration		
Maintain Data Files		
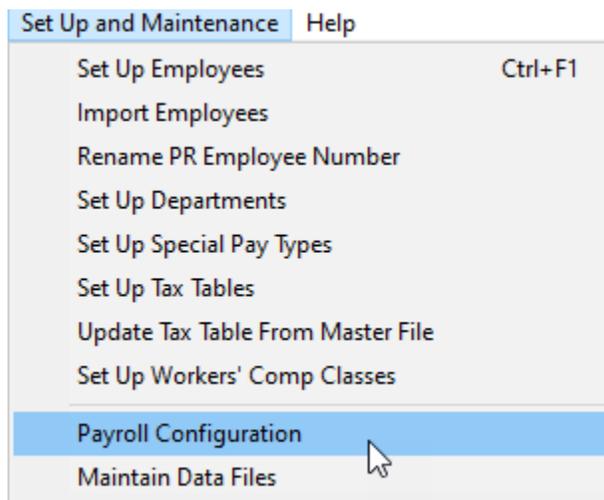
Write down the General Ledger account number that the Social Security Employee deduction is assigned to. You'll need to use this number in a later step.

Next, select the **"Set Up Special Pay Types"** from the same **"Set Up and Maintenance"** menu option.
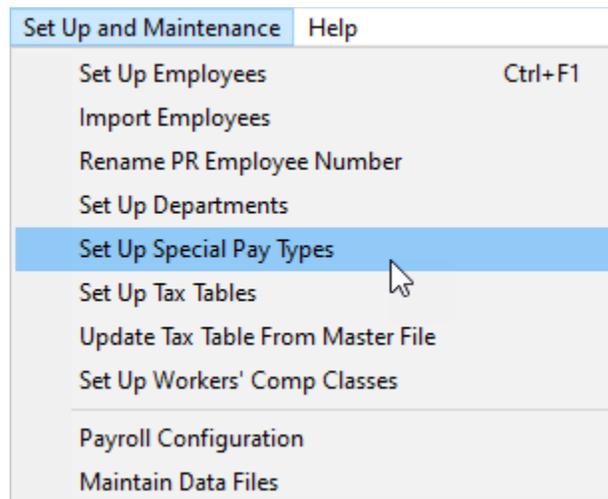
Now, you're going to create a new **Special Pay Type** to track the amount of money you will be providing **"back"** to the Employee from their **Pay Check Calculation** that has already been deducted in the course of their normal Payroll tax calculations.

This new **Special Pay Type** will be created as a **"Non-PR Payment"** or **"Non-Payroll Payment."** This Special Pay Type will be used to reimburse the amount of Social Security Tax that is calculated to be deducted from the Employee's portion of their Gross Pay. The General Ledger account number to be used in this setup should be the same Account Number as the one you wrote down from the previous step as defined above.

In our example, we call the Special Pay Type **"SSDEF."** You can choose to call it something else, if desired. Please note how the **"TYPE"** is defined as **5) Non-PR Payments** and that the **G/L Account** is the same as the one that was copied down in the previous step. No **Department** should be defined. Click **"Save"** to keep this Special Pay Type.

Next, we are going to create a **"second"** Special Pay Type since, at least for the moment, the Employee will be required to **"repay"** these funds back in 2021. As such, a secondary Special Pay Type, which is a deduction, is required.

Therefore, using the same steps as the previous option, we are going to use the same option to now **"add"** another Special Pay Type. We're going to call it **"SSREP"** for **Social Security Repayment**. Again, you can call it whatever you prefer.

As this is a normal **"deduction"** Special Pay **"Type,"** it will not post or affect the reporting to the Employees' W-2 form. The **W-2 Form Status** should be set to **"Normal Earning and Deduction."** The General Ledger Account will still be the same liability account for SS Wage Tax Liability that you used for the prior set up of the previous Special Pay Type. No Department allocations are necessary and should not be selected.

As we suggested earlier on, have your Employees document whether they want to participate in this option or not. It is not mandatory and they are still going to be liable to the government for this money based on the current rules at this point in time if they do elect to participate.

Based on which Employees elect to choose this option, then, you would go to the **"Set Up and Maintenance"** menu option and select the **"Set Up Employees"** menu option. Modify the Employees who have elected to participate in this tax reduction and add the new Special Pay Types to their Employee record.
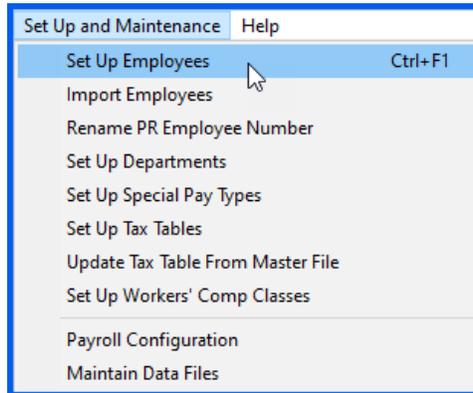
Choose the desired Employee and then select the **"Pay Types"** button from the choices across the bottom of the Employee editing screen.
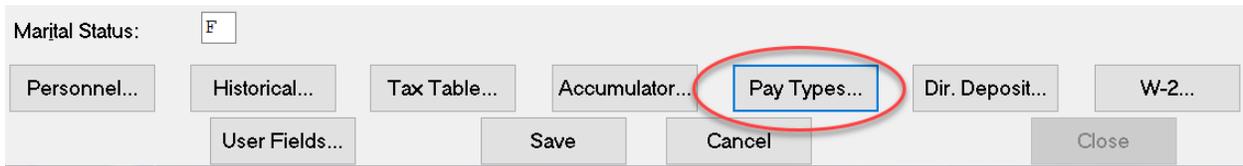
This is the screen where you will edit or add any additional Special Pay Types for each individual Employee. In this case, you will be adding two new Special Pay Types.
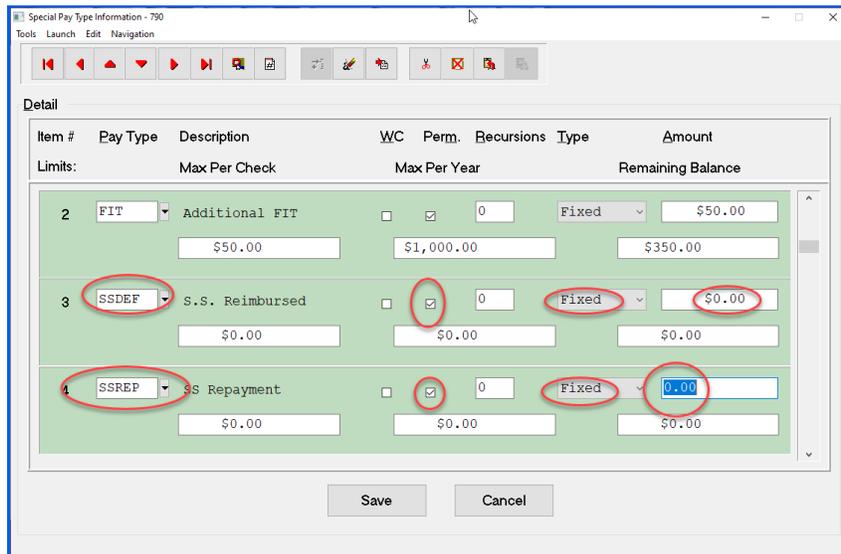
By adding the new Special Pay Types, first you're defining the method in which to reimburse the Employee the Social Security Wages back for now, through the end of the year. Depending on whether their checks are a fixed amount in each cycle or if the amounts vary, you may be able to define it once here or you may have to alter the data entry during each and every pay cycle. That will vary by Employee and how your Payroll is configured.

The second Special Pay Type **"SSREP"** cannot be configured until 2021, since you will have to wait to see what the IRS actually rules by then. Does the Employee have to repay this money or not? We don't know today. Currently, they are supposed to.

Assuming the rules stay as they are today, then you already have the Special Pay Types in place to deduct the money back from their checks through the tax filing deadline for 2021. If the rules change, no harm, no foul. This won't hurt anything, but you didn't forget to do what you needed to do to process the current rules!

If you have to override the amounts for each check during a Payroll cycle, then you would use the options as follows:

Process Employees Pay Cycle:

Select either the **"Single Employee Entry"** or **"Rapid Employee Entry"** options for entering Employee Pay Data for each payroll pay cycle. Go to the **"Enter Transactions"** menu option to find these options as you see below:
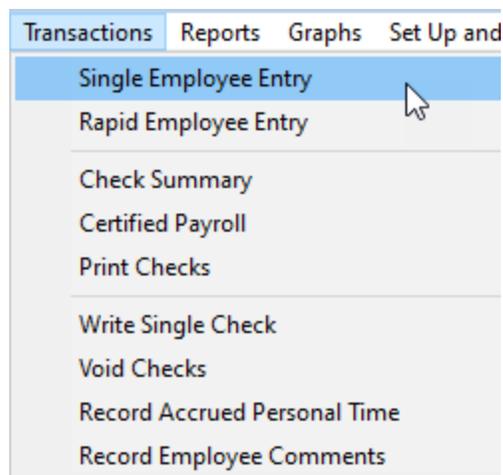
Select the desired Employee and enter their current payroll data by verifying their number of hours and any other Special Pay Type information. Once you click on **"Save,"** the summary for this Employee's pay cycle will appear as shown on the following screen:

Write down the amount of the Social Security Tax that the system has calculated or highlight the amount and use **CTRL C** to copy this amount to the Windows Clipboard. Then, you can and select **"Cancel"** which will return you to the prior screen.

Select the **"Pay Types"** button again so that you can edit the new Special Pay Type that we have created specifically during this task. The following screen will appear:

Click into the **Amount** field for the Special Pay Type for **"SSDEF"** and either enter the dollar amount for the Social Security Tax or use **CTRL V** to paste the amount that you copied to the Windows Clipboard. This will be the amount being deferred to the Employee on this pay cycle.

Click on the **"Save"** button at the bottom of this screen to save your work. You will be returned to the prior screen. Click on the **"Save"** button this screen to continue as shown below:

Notice on the final pay summary page that the original Social Security Tax amounts are still in place, but that there are now **"Additional Earnings"** amounts of the same value. This is the **deferred amount** that is staying with the Employee.

Verify the **"Additional Earnings"** is the same as the Social Security Tax allows you to know you are in balance. Using this method provides you a way to keep the quarterly tax reports in balance while keeping track of the individual amounts, per employee.

Next, choose the **"Reports"** menu option and then select the **"Special Pay Type Register."**
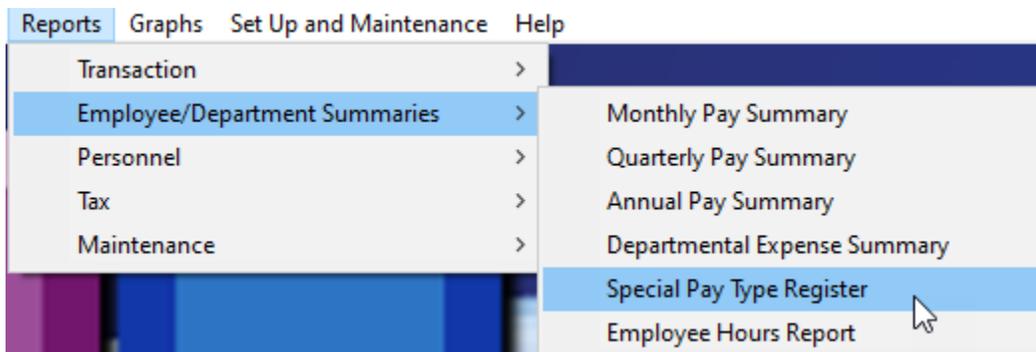
To print this report using the currently entered Payroll information, make sure to select **"Current"** as the **"Report Period,"** select **"SSDEF"** as the **"Beginning and Ending Pay Type"** and choose **"Detailed"** as your **"Report Type."** Make sure to do this **prior** to printing the Payroll checks.

The report will appear as follows:

The quarterly tax report will reflect the correct amount of liability that was calculated for the Payroll. The amount that you will actually pay will be the amount of Liability calculated less the total of the Social Security that was reimbursed to the Employee using the Special Pay Type created above, which is on the **Special Pay Type Register** report you printed previously.

To print the **Quarterly Pay Summary (941)** report, choose the **"Reports"** menu option from the Main Menu. Then, select the **Quarterly Pay Summary (941)** menu option as shown below:

2020 Employee Deferred Social Security Tax
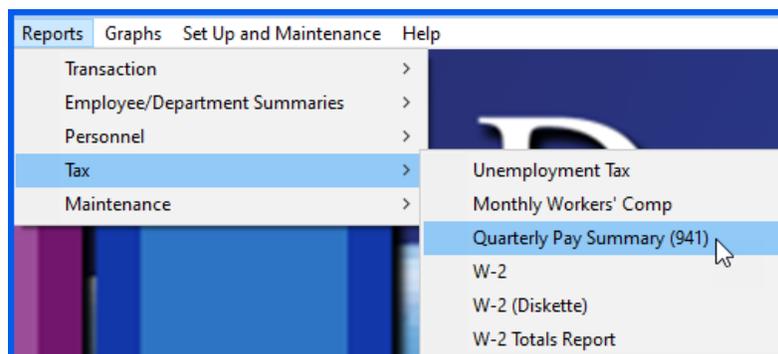
Select the range of employees to be used in the calculation of the report and click on **"Start."** The report will appear as follows:

Data Pro Test Company
Quarterly Pay Summary (For 941)
Page 1
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Employer ID Number:	59-2919944		Date Quarter Ended:	09/30/2020
Description				Amount

Description			Amount
Total wages and tips subject to withholding		. . . .	$1,846.40
Total income tax withheld from wages, tips, etc		. . . .	$206.74
Taxable S.S. wages	$1,846.40 x 12.40%	. . . .	$228.95
Taxable S.S. tips	$0.00 x 12.40%	. . . .	$0.00
Taxable Medi wages and tips	$1,846.40 x 2.90%	. . . . . .	$53.55
Additional Taxable Medi wages and tips	$0.00 x 0.90%	. .	$0.00
Total Social Security and Medicare taxes		. . . .	$282.50
Total taxes	. . . .		$489.24
Advanced EIC payments made to employees		. . . .	$0.00
Net taxes	. . . .		$489.24

Total number of employees included in this report is: 1

Data Pro Test Company
Quarterly Pay Summary (For 941)

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Employer's Record of Federal Tax Liability (Schedule B)

Employer ID Number: 59-2919944   Date Quarter Ended: 09/30/2020

A. Daily Tax Liability -- First Month of Quarter

1	$0.00	8	$0.00	15	$0.00	22	$0.00	29	$0.00
2	$0.00	9	$0.00	16	$0.00	23	$0.00	30	$0.00
3	$0.00	10	$0.00	17	$0.00	24	$0.00	31	$0.00
4	$0.00	11	$0.00	18	$0.00	25	$0.00		
5	$0.00	12	$0.00	19	$0.00	26	$0.00		
6	$0.00	13	$0.00	20	$0.00	27	$0.00		
7	$0.00	14	$0.00	21	$0.00	28	$0.00		

Total Tax Liability for First Month of Quarter $0.00

B. Daily Tax Liability -- Second Month of Quarter

1	$0.00	8	$0.00	15	$0.00	22	$0.00	29	$0.00
2	$0.00	9	$0.00	16	$0.00	23	$0.00	30	$0.00
3	$0.00	10	$0.00	17	$0.00	24	$0.00	31	$0.00
4	$0.00	11	$0.00	18	$0.00	25	$0.00		
5	$0.00	12	$0.00	19	$0.00	26	$0.00		
6	$0.00	13	$0.00	20	$0.00	27	$0.00		
7	$0.00	14	$0.00	21	$0.00	28	$0.00		

Total Tax Liability for Second Month of Quarter $0.00

C. Daily Tax Liability -- Third Month of Quarter

1	$489.24	8	$0.00	15	$0.00	22	$0.00	29	$0.00
2	$0.00	9	$0.00	16	$0.00	23	$0.00	30	$0.00
3	$0.00	10	$0.00	17	$0.00	24	$0.00	31	$0.00
4	$0.00	11	$0.00	18	$0.00	25	$0.00		
5	$0.00	12	$0.00	19	$0.00	26	$0.00		
6	$0.00	13	$0.00	20	$0.00	27	$0.00		
7	$0.00	14	$0.00	21	$0.00	28	$0.00		

Total Tax Liability for Third Month of Quarter $489.24

Total for Quarter $489.24

In this example, the calculation would be **($228.95 – $114.48 = $114.47)**.

The **"Special Pay Type Register"** is going to continue to accumlate the amounts paid to Employees through all future pay cycles through the end of 2020 and will provide you the audit trail you need to determine how much to deduct from Employee's future Payroll cycles in 2021, assuming no further changes occur from the IRS.