

All Santa Fe ISD:

You may be aware of an Executive Order signed by President Trump on August 8, 2020. An excerpt of the Executive Order is below:

*Sec. 2. Deferring Certain Payroll Tax Obligations. The Secretary of the Treasury is hereby directed to use his authority pursuant to 26 U.S.C. 7508A to defer the withholding, deposit, and payment of the tax imposed by 26 U.S.C. 3101(a), and so much of the tax imposed by 26 U.S.C. 3201 as is attributable to the rate in effect under 26 U.S.C. 3101(a), on wages or compensation, as applicable, paid during the period of September 1, 2020, through December 31, 2020, subject to the following conditions:*

*(a) The deferral shall be made available with respect to any employee the amount of whose wages or compensation, as applicable, payable during any bi-weekly pay period generally is less than \$4,000, calculated on a pre-tax basis, or the equivalent amount with respect to other pay periods.*

*(b) Amounts deferred pursuant to the implementation of this memorandum shall be deferred without any penalties, interest, additional amount, or addition to the tax.*

*Sec. 4. Tax Forgiveness. The Secretary of the Treasury shall explore avenues, including legislation, to eliminate the obligation to pay the taxes deferred pursuant to the implementation of this memorandum.*

On Friday, August 28, 2020, the IRS issued Notice 2020-65 regarding the tax deferrals. In part, the IRS guidance states:

*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.*

**In summary, the tax deferral pertains only to the employee portion of the OASDI (old-age, survivor, and disability insurance), commonly referred to as Social Security. At Santa Fe ISD, we do not collect Social Security tax; therefore, there is no change in the policies and procedures of payroll. You will not see a reduction in income taxes withheld, since the Presidential Memorandum does not cover these.**

Furthermore, the tax deferral is a “delay” in the payment of taxes for certain employees (earn less than \$104,000 per year) between September 1, 2020 and December 31, 2020 with a repayment of the taxes between January 1, 2021 and April 30, 2021. This means that during the January 1, 2021 to April 30, 2021 double the Social Security taxes would be withheld from an employee’s paycheck. If employees do not make the deferred tax payments by April 30, 2021, the taxes would be subject to interest, penalties and additions to tax on May 1, 2021.

If the IRS issues additional guidance that clarifies the deferral of taxes, we will keep you abreast of the changes and the impact on your compensation and employment taxes.