Collection of 2020 Social Security Tax Deferral

The 2020 Social Security tax deferral end December 2020. Beginning January 2021, the normal 6.2% Social Security tax withholdings will again be deducted and you will also see an additional deduction for the deferred 2020 Social Security tax collection taken from your pay.

The Consolidated Appropriations Act, 2021 was passed and extended the period for collecting deferred 2020 Social Security taxes. The period for collection is now January 1 through December 31, 2021 (instead of January 1, 2021 to April 30, 2021).

Key Points:
- The amount of Social Security taxes deferred in 2020 will be collected in 12 installments, out of your monthly pay, between January 1 and December 30, 2021.

- Normal 6.2% Social Security tax withholdings will also be deducted from your pay, beginning January 2021.

- Beginning in January 2021, your earnings statement will reflect the total amount of the deferred taxes will be shown on your monthly statement as “Indebtedness Loan”. This is a system value that will be paid off with the monthly collection amount shown as “Indebtedness Repayment” until the total “Loan” is repaid.

- If you separate or retire prior to the deferred Social Security tax being collected in full, you are still responsible for the remainder of your Social Security tax repayment. The unpaid balance will be collected from your final pay.

Background Information:
Pursuant to IRS Notice 2020-65 and at the direction of the Office of Management and Budget and Office of Personnel Management, Social Security (Old Age, Survivors, and Disability Insurance) or “OASDI” tax withholdings were temporarily deferred from September through December 2020 and will be collected from wages paid between January 1, 2021 and December 30, 2021, for employees who had wages subject to OASDI of less than $8,666 in any given payroll monthly period. These actions were in response to the Presidential Memorandum issued on August 8, 2020.

IRS information: