

Businesses saying no thanks to president's payroll-tax deferral

By **Laura Cassels** - September 3, 2020



Even when businesses do reopen many aren't operating for as many hours, limiting what workers can earn. Photo: John Partipilo.

Federal employees will see their paychecks increase a bit because President Trump is deferring their payroll taxes, but state, local, and private employers are largely snubbing the new, optional deferral.

Trump authorized the payroll tax deferral starting Sept. 1 by an executive order he signed on Aug. 8. The 6.2 percent tax is withheld from employee paychecks and funds the Social Security program.

The Florida United Businesses Association calls the provision “a headache” for employers, who would have to recoup the four months of deferred taxes within the first four months of 2021 by double-taxing employees.

“While the payroll tax deferral might provide a slightly bigger paycheck to some employees, it could create a significant hardship in 2021 when those employees get double tax withheld from their paychecks,” FUBA says in its September newsletter.

Small businesses would do better to ignore the provision, said Frank Knapp, national co-chair of Small Business for American's Future and president of the South Carolina Small Business Chamber of Commerce.

Visiting Tallahassee on a recent business tour through the Southeast, Knapp said the payroll-tax deferral gives the appearance, in advance of the Nov. 3 general election, that the president is offering tax relief to workers when actually the taxes will still come due starting in January, amounting to a pay cut right after the holidays.

“The business community wants no part of this sleight-of-hand gimmickry,” Knapp told the Florida Phoenix.

Meanwhile, Knapp said, the president did nothing in his executive orders to grant small businesses the relief they most want and need: forgiveness of up to \$150,000 in Payroll Protection Program loans that helped them stay open and keep employees on the payroll.

Rob Wilson, president of Employco USA, a human-resources contractor, said in a press statement that implementing the payroll-tax deferral could be disastrous.

"It can quickly become very complicated. We don't know when or if the IRS is going to provide more guidance around this tax deferral so, right now, it's completely uncharted territory and has the potential for disaster," said Wilson. "Employers need to be sure they're really informed about what this deferral program will mean for them before they take on that responsibility."

The national Association for the Advancement of Retired Persons, or AARP, opposes deferral of payroll taxes because the revenue supports Social Security programs on which many American seniors depend.

Federal workers unions, including the American Federation of Government Workers and the National Treasury Employees Union, issued statements criticizing the president's action, which is being made mandatory at the federal level.

"As the largest employer in the country, the federal government is failing in its responsibilities to its workforce by not adequately informing federal employees and explaining the implications and consequences of the payroll tax deferral," wrote NTEU National President Tony Reardon in a letter Wednesday to the U.S. Office of Management and Budget.

The National Federation of Federal Employees said the policy would have significant impacts on workers, either by cutting into Social Security funding for retirements or by creating a tax debt starting in January, enforced by threat of penalties and interest.

"Either way, the employee loses," Randy Erwin, NFFE national president, said in a press statement. "If the tax deferment becomes permanent, and provided it is legal, the employee could get a lower payout in retirement. If the deferment is temporary, the employee risks getting a huge tax bill plus interest and penalties early next year."

Laura Cassels

<https://www.floridaphoenix.com/>

Veteran journalist Laura Cassels is a reporter, former statehouse bureau chief, and former city editor. She is a classical pianist, has a home in Tallahassee and has a farm in South Georgia, where her extended family grows blueberries, grapes and pecans. She is a Florida State University graduate and proud alum of the Florida Flambeau, an independent college newspaper. Contact her at laura@floridaphoenix.com.

