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TOP STORY

## Florida business association warns Social Security tax deferral 'a headache' for businesses

By John Haughey | The Center Square  
Sep 4, 2020



The U.S. Social Security Administration building in Washington D.C.

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(The Center Square) – President Donald Trump’s memorandum authorizing employers to defer withholding the 6.2 percent Social Security payroll tax went into effect Sept. 1, but a Florida business association is warning businesses it could cause problems down the road.

Employers across the U.S. can retain the payroll tax deduction or defer it, beginning with this week’s payroll.

The Florida United Business Association (FUBA), which represents 7,000 employers across the state, is advising the state's 440,000 corporate employers and 2.5 million small businesses that Trump's order is "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.

Trump's order from Aug. 8 instructs U.S. Treasury Secretary Steven Mnuchin to "explore avenues, including legislation, to eliminate the obligation to pay the taxes deferred."

Doing so would turn what is a temporary tax deferral into an actual tax cut, but it would require an act of Congress to implement. Such an agreement is unlikely, with House Democrats and Senate Republicans locked in an impasse over another federal COVID-19 assistance package.

"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 wrote in its **September newsletter**.

"This is not an elimination of the payroll tax – employers must repay the tax in early 2021," FUBA wrote. "And it is completely optional for businesses. It appears that employers can stop collecting the 6.2 percent payroll tax from employees through the end of the year, but they must withhold double from employee paychecks for the first 4 months of 2021. And if the employer cannot collect double taxes from the employee next year, the employer bears the responsibility of paying the deferred taxes."

FUBA told members that "due to the difficulty of implementing this payroll tax deferral and the burden of assuming the responsibility of paying back deferred taxes, most businesses are opting out of participating in this payroll tax deferral."

Employco USA, a human resources contractor, said in a press statement implementing the payroll tax deferral could be disastrous for small businesses.

"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," Employco USA President Rob Wilson said. "Employers need to be sure they're really informed about what this deferral program will mean for them before they take on that responsibility."

American Federation of Government Workers (AFGW), the National Treasury Employees Union (NTEU) and the National Federation of Federal Employees (NFFE) are among unions representing federal workers that have joined other employer groups criticizing the order.

“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,” NTEU National President Tony Reardon wrote in a letter Wednesday to the U.S. Office of Management and Budget.

“Either way, the employee loses,” NFFE President Randy Erwin said in a 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.”

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