

Subject: Update on Payroll Tax Withholding Deferral

Department of the Interior Workforce:

In order to provide relief during the COVID-19 pandemic, a [Presidential Memorandum](#) was issued on August 8, 2020 to temporarily defer social security (Old Age, Survivors, and Disability Insurance or "OASDI") tax withholdings for certain employees. This tax deferral applies to all executive branch federal employees whose gross (pre-tax) pay during any bi-weekly pay period is less than \$4,000 (including locality pay).

The Department of the Interior's payroll provider, Interior Business Center (IBC), is working diligently to implement this tax deferral for impacted employees. IBC will automatically calculate employees' eligibility for the tax deferral on a pay period-by-pay period basis. The elimination of the social security tax withholding for applicable employees will be **effective the pay period ending September 12, 2020**. Employees impacted by the payroll tax deferral will notice the tax savings in their **September 22, 2020 pay checks**. The payroll tax deferral will continue through the end of calendar year 2020. Any deferred payroll taxes not withheld from employees' wages during 2020 will be repaid from wages between January 1, 2021, and April 30, 2021.

We recognize that these changes have spurred questions from the workforce regarding how the tax deferral will be implemented. Attached you will find a series of Frequently Asked Questions (FAQs) that address many of the questions impacted employees may have.

The impact of the payroll tax withholding deferral is personal and fact-specific. Accordingly, employees are encouraged to discuss the implications of the payroll tax deferral with their financial and/or tax advisors. Employees may find the Department of the Interior's [Employee Assistance Program](#) (EAP) to be a helpful resource. The EAP offers financial consultation regarding debt matters, investment options, money management, tax preparation and consultation and retirement planning. Employees can access EAP services 24 hours a day/7 days a week via phone at (800) 869-0276 or via the internet at www.espyr.com.

For additional information or questions regarding the tax deferral, employees may contact their servicing Human Resources Office.

Payroll Tax Withholding Deferral FAQs

Why are my OASDI taxes being deferred?

In order to provide relief during the COVID-19 pandemic, a Presidential Memorandum was issued on August 8, 2020, and guidance followed by Internal Revenue Service on August 28, 2020, to temporarily defer employees' Social Security (Old Age, Survivors, and Disability Insurance) or "OASDI" tax withholdings.

Presidential Memorandum link: <https://www.federalregister.gov/documents/2020/08/13/2020-17899/deferring-payroll-tax-obligations-in-light-of-the-ongoing-covid-19-disaster>

What is the deferred OASDI tax?

Social Security is 6.2% and is commonly referred to as OASDI. OASDI stands for Old Age, Survivors, and Disability Insurance program. The tax funds the Social Security program, which is administered by the Social Security Administration. Your OASDI deduction is found on your Leave and Earnings Statement (LES) under the Deductions section.

How is the OASDI tax calculated?

OASDI tax is set by law at 6.2%. The tax is calculated as 6.2% of wages that are subject to OASDI. Wages subject to OASDI are gross wages less Federal Employees Health Benefits (FEHB), Dental, Vision, and Health/Flexible Spending Accounts (HSA/FSA). For information about your taxable wages, you can review your LES in Employee Express (<https://www.employeeexpress.gov/>).

Can I opt-out of the deferred OASDI tax withholding?

No. The Office of Management and Budget (OMB) directed all Executive Branch Agencies to implement the tax deferral. As such, DOI employees cannot opt-out of the deferral.

Does this affect any of my other tax withholdings?

No. Pursuant to the Department of Treasury and the Internal Revenue Service Guidance, this only affects your Social Security tax (OASDI) withholdings, which will be deferred from September 2020 through the end of the calendar year 2020.

Department of Treasury and the Internal Revenue Service guidance link: <https://www.irs.gov/pub/irs-drop/n-20-65.pdf>

What is the wage threshold amount for determining who will have their Social Security tax (OASDI) withholdings deferred through the end of calendar year 2020?

If your wages subject to OASDI are less than \$4,000 per pay period (including locality pay, awards, incentives, overtime pay, etc.), OASDI taxes will be deferred. Wages subject to OASDI are gross wages less Federal Employees Health Benefits (FEHB), Dental, Vision, and Health/Flexible Spending Accounts (HSA/FSA).

Does premium pay (i.e. overtime) impact the OASDI tax deferral?

Yes, if the premium pay increases wages (subject to OASDI) to \$4,000 or above in any given pay period, the OASDI tax will not be deferred. The tax deferral is calculated on a pay period-by-pay period basis and as such, will vary based on the employee's wages at or above the wage threshold.

When will the payroll tax deferral begin?

The elimination of the OASDI tax withholding on employee deductions for the applicable employees will be effective the pay period ending September 12, 2020. The official pay date for DOI for this pay period is September 22, 2020.

Will I be required to pay back the Social Security taxes that are deferred?

Yes. Current IRS guidance indicates the payment of the deferred taxes is postponed until January 1, 2021. The deferred OASDI taxes not withheld from wages during 2020 will be collected from your wages between January 1, 2021, and April 30, 2021. Additional information on the collection process will be provided in the future.

How much will my payroll provider collect during each pay period starting in January 1, 2021 through April 30, 2021?

As more information becomes available on the collection of the deferred Social Security taxes, it will be shared with the workforce.

Can the deferred Social Security tax liability (OASDI) be waived?

Only Congress has the authority to forgive taxes. Deferral of the Social Security tax only postpones when the taxes are due.

Will the deferred taxes be forgiven by Congress?

Congress has not made a determination on forgiving the tax deferral debt. Under current IRS Guidance, affected employees should plan on repaying the deferred taxes beginning January 1.

Can I select my repayment terms?

Pursuant to current Department of Treasury and Internal Revenue Service Guidance, total deferred Social Security taxes must be withheld from wages beginning January 1, 2021 and ending on April 30, 2021. As more information becomes available on the collection of the deferred Social Security taxes, it will be shared with the workforce.

Do I have to pay interest and penalties if not paid after April 2021?

As more information becomes available on the application of interest and penalties, it will be shared with the workforce.

I am separating or retiring before the end of this year; will I be required to pay the deferred taxes back?

If you separate or retire in 2020 before the Social Security tax can be collected in 2021, you are still responsible for the Social Security tax repayment. As more information becomes available on the collection of any deferred Social Security taxes, it will be shared with the workforce.

How will this affect my 2020 and 2021 W-2s?

As more information and guidance becomes available from the Internal Revenue Service on how the deferral and collections affect your 2020 and 2021 W-2s, it will be shared with the workforce.

Does the Social Security (OASDI) tax deferral impact contributions to my Thrift Savings Plan (TSP) account?

No. The OASDI amount collected/deferred does not have an impact on wages that are used to calculate your TSP contributions.