Notice on Temporary Deferral of Payroll Taxes

On August 8, 2020, President Trump signed a memorandum suggesting the temporary deferral of Social Security payroll taxes for employees that earn less than $4,000 bi-weekly, calculated on a pre-tax basis. The memorandum suggests the deferral period to start as of September 1, 2020 and run through December 31, 2020.

The IRS has provided guidance on the suggested deferral, which includes giving employers the option to opt-in. We have reviewed the memorandum and IRS guidance, and determined that we will opt-out of the tax deferral along with the other State Universities, as well as other Arizona State agencies. We will continue to follow the law governing the collection of Social Security taxes, also known as the Federal Insurance Contributions Act.

It is also important to understand that the suggestion in the memorandum is a deferral of taxes and not a waiver. Employees would still be liable for the deferred taxes, which employers would be required to automatically deduct from employees' paychecks from January 1 through April 30, 2021 in addition to the normal payroll tax deductions. Any taxes not collected would result in interest owed by the employee.

If anything changes in the future, such as enacted legislation, we will provide further updates.