

## Payroll Old Age Survivors Disability Insurance (OASDI / Social Security) Tax Deferral and Repayment - Frequently Asked Questions (FAQs)

### Change Log:

Question(s) updated or added:	Date Updated:
20, 21, 22, 23, 27	6/21/2021
12, 18, 22, 24, 25	10/06/2021

### General Questions:

#### 1. Who is my agency's payroll provider?

- The Department of the Interior, Interior Business Center (IBC).

### Tax Deferral Questions:

#### 2. What tax was deferred?

- The payroll tax deferral is applicable only to the 6.2% employee portion of Old Age Survivors Disability Insurance (OASDI) contributions, commonly referred to as Social Security tax.

#### 3. Did this affect any of the employee's other tax withholdings?

- No. Pursuant to the Department of Treasury and the Internal Revenue Service (IRS) guidance, this only affects your OASDI withholdings, which was deferred from September 2020 through the end of the calendar year 2020.

#### 4. Can an employee opt-out of the deferred OASDI tax withholding?

- No. Only Legislative and Judicial Branches were allowed to opt-out. The Office of Management and Budget (OMB) directed all Executive Branch Agencies **to implement the tax deferral for employees outside of Legislative and Judicial Branches**. As such, all Executive Branch Agencies employees were not allowed to opt-in/opt-out of the deferral.

#### 5. Did premium pay (i.e. overtime) impact the OASDI tax deferral?

- Yes, if the premium pay increased wages (subject to OASDI) to \$4,000 or above in any given pay period (PP), the OASDI tax was not 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.

#### 6. Did the OASDI tax deferral impact contributions to an employee's Thrift Savings Plan (TSP) account?

- No. The OASDI amount deducted/deferred did not have an impact on wages that are used to calculate an employee's TSP contributions.

#### 7. 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 non-taxable entitlements, pre-tax items such as Federal Employees Health Benefits (FEHB), Dental, Vision, and Health/Flexible Spending Accounts (HSA/FSA) and reservist differential.

**8. Who qualified for OASDI tax deferral?**

- **For PP2020-19**, the tax deferral was implemented for employees whose **gross pay (pre-tax and including locality pay)** during any bi-weekly pay period is less than \$4,000, or the equivalent amount with respect to other pay periods.
- **For PP 2020-20 through 2020-26**, the tax deferral was implemented for employees whose **OASDI wages** during any bi-weekly pay period is less than \$4,000, or the equivalent amount with respect to other pay periods.

**9. When does the OASDI tax deferral end?**

- The OASDI tax deferral ended in PP 2020-26.
- Starting in PP 2021-01, OASDI tax withholding will resume as a normal deduction.
  - Employees will see a decrease in their net pay.

**10. What happens if an employee reached the maximum OASDI wage limit in this tax year prior to the end of year?**

- In the PP an employee reached the maximum OASDI wage, if wages were less than \$4,000, the OASDI tax **was not** deferred.

**11. If OASDI tax was deferred in a PP, how will it show up on an employee’s Leave and Earning Statement (LES)?**

- Employees saw an increase in their take home pay.
- The LES showed the following remark ‘*Your Net Pay Includes Deferred OASDI Tax Amount; although, you will see it reflected in deductions.*’

**Sample Calculation:**

Gross Pay (LES)	\$ 3,935.20
Less Total Deductions (Includes OASDI tax deferral) (Shown on LES)	\$ (700.91)
<b>Plus: OASDI Deferral (Shown on LES)</b>	<u>\$ 237.75</u>
Net Pay (Shown on LES)	\$ 3,472.04

**12. How can an employee determine how much deferred OASDI tax they owe since those amounts are not reflected on the LES?**

- On January 19, 2021, the IBC provided agency User Group Representatives a list of balances owed by employees for the OASDI tax deferral as of PP 2020-26.
- Employees can review their LESs for PPs 2020-19 through 2020-26:
  - These LESs will include the remark, ‘*Your Net Pay Includes Deferred OASDI Tax Amount; although, you will see it reflected in deductions*’.
  - Employees can add together the OASDI tax deferral deduction amounts, shown under “deductions” (on the LESs with the above remark), to get the total amount owed.

- *(Added 10/06/21)* Effective PP 2021-17, employees can view the amount paid towards the 2020 tax deferral under “Deductions” as “OASDI Deferred Tax”. *Please also refer to more information found under question number 22 below.*

***Please note: Starting in PP 2021-01, the OASDI tax withholding will resume as a normal deduction. Employees will see a decrease in their Net Pay for the standard 6.2% deduction, in addition to the amount of tax deferral repayment as outlined below.***

**Repayment Questions:**

**13. Do employees have to repay the OASDI tax deferral?**

- Yes. Per Internal Revenue Service guidance (as modified by the Consolidated Appropriations Act, 2021), the OASDI tax deferred in 2020 will be deducted from pay between January 1 and December 31, 2021.

**14. Is this repayment of the OASDI tax deferral a ‘debt’?**

- No. As long as an employee is active with the agency in the which the deferral occurred.
- According to the Department of Justice legal interpretation, once an employee separates from the agency in which the deferral occurred, any unpaid balance at that point becomes a "debt".

**15. Can an employee select the repayment terms?**

- No. Unfortunately, we are unable accommodate individual requests, since this is not a debt.

**16. Will a debt letter be issued by the IBC for the repayment of the OASDI tax deferral?**

- No. Debt letters will not be issued. Ensuring the debt letters is a manual process, so if an employee receives a debt letter, the user group representative should contact John Castillo, Chief, Debt Management Branch, at (303) 969-6340 or [john\\_a\\_castillo@ibc.doi.gov](mailto:john_a_castillo@ibc.doi.gov).

**17. What will be the repayment period established by the IBC?**

- Beginning in PP 2021-01, the repayment will be over 25 PPs for active employees, **excluding** the below Federal Personnel and Payroll System (FPPS) Employee Statuses. The IBC will allow PP 2021-26 to be used for any reconciliation.

<b>Code</b>	<b>Description</b>
C	CAREER-SEASONAL
F	FECA
I	IPA 50 PERCENT REIMBURSED
L	LWOP/FURLOUGH/SUSPENSION
M	MILITARY FURLOUGH

***Please note: Agencies/employees may use the attached spreadsheet to validate the total OASDI deferral amount and bi-weekly repayment amounts.***

**18. What amount will active employees, excluding the aforementioned employees in status C, F, I, L and M listed above, have to repay?**

- For PP 2021-01:
  - To help ease the payback burden of deferred taxes owed and to begin the repayment process in January 2021, as instructed in IRS Notice 2020-65, the IBC deducted an amount of approximately \$50.00 (or less) for most employees.
  - Some employees had a larger deferred repayment amount, if their total repayment amount exceeded \$1,500.00
- For PP 2021-02 through PP 2021-25:
  - The remaining balance owed as of PP 2021-01 will be deducted evenly from employees’ pay checks over 24 PPs.
  - **(Added 10/06/2021)** Within the FPPS, under “Pay Calculate Detail”, the OAD deduction will reflect as the prior year and effective PP of the deduction (YRPP). The example below, for Processing Pay Period 2021-02, shows the OAD deduction reflected as 2002 (YR = 20, PP = 02).

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PROCESSING PAY PERIOD: 202102                                PAGE: 2
*****
DEDUCTIONS/WAGES/GOVERNMENT ADDITIVES
REVIEW DATA AND PRESS ENTER.      TYPE 'X' TO SEE PRIOR PAY PERIODS: _
                                     TYPE 'X' TO SEE PAY DAILY: _

SB YRPP RT PYCD STATE/LOCAL/HEALTH/RETIRE/RES      PP-AMT
OTA
AK 2002 O OAD                                     32.63
  
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- Please note: Due to manual processing, an administrative error occurred for PP 2021-15, and the OAD deduction incorrectly reflects the YRPP as 2014 instead of 2015 – this is not a double collection for PP 2021-14.
- If, during a PP, a repayment amount is unable to deduct from an employee’s pay (cutback), the IBC’s Debt Management Branch (DMB) will monitor each PP to deduct in a future PP.
  - Please note: this could include a double deduction in a PP (prior owed PP and current repayment).
  - Any deductions made by DMB will be reflected on the Labor Cost or Accounting Feeder File (SSA only) like any other debt collection.

**19. What amount will employees in statuses C, F, I, L and M listed above, have to repay?**

- For PP 2021-01
  - Nothing
- For PP 2021-02
  - Those who received pay in this PP:
    - Collection for the full amount of OASDI deferral repayment was deducted, in most cases.
      - The IBC worked with impacted agencies to make the employees’ whole along with provided how repayment would occur going forward.
      - The IBC also provided a list of those employees to each agency.
  - Those who did not receive pay in this PP:
    - See next bullet regarding PP 2021-03 through PP 2021-25
- For PP 2021-03 through PP 2021-25

- The IBC's DMB will monitor each PP to see if a deduction can be made
  - Any deductions made by DMB will be reflected on the Labor Cost or Accounting Feeder File (SSA only) like any other debt collection.

**20. What happens if an employee becomes inactive, for any reason, during the repayment period or does not repay the deferral in full as of PP 2021-25?**

- If an employee separates or retires prior to repaying the full deferred amount back, an employee is still responsible for the tax repayment. The IBC will attempt to deduct payment as outlined under "Deduction" below\*. Any unpaid balance becomes a liability to the agency to pay on behalf of the former employee\*\*. At that point, the deferral becomes a debt.

***\*Deduction when employee becomes inactive:***

- For PP they become inactive:
  - The IBC will deduct one PP deferral amount owed from last paycheck.
- From Lump Sum Leave Payment (if applicable):
  - The IBC will attempt to deduct the balance owed.
  - If full deduction of the balance owed cannot be made, the deferral becomes a liability to the agency and a debt to the employee.\*\*
  - ***(Updated 6/21/2021)*** Please see the question '*What happens when an employee transfers to another agency (or different department) within the same database?*' regarding deductions.

***\*\*Liability to the Agency / Debt to Employee:***

- This means that the agency pays the deferred taxes on the former employee's behalf. Because the agency paid the taxes on behalf of the employee, this becomes a debt owed by the former employee to the agency.
  - The charge will show up on the Labor Cost or Accounting Feeder File (SSA only) with pay code OAD.
  - Per IBC's standard procedure, the debt will be transferred to the agency to pursue under the agency's normal debt collection process.
  - ***(Added 6/21/2021)*** Please note: The transfer notice will reflect the year (YYYY) and PP of the deferral cutback ("202001) for the year 2020 and pay period 01)
    - Example stated on transfer notice 'The debt was the result of deductions paid by your agency on your behalf for pay period(s) 202001'.

**21. What happens when an employee transfers to another agency (or different department) within the same database?**

- ***(Updated 6/21/2021– No longer applicable)*** The IBC is monitoring these bi-weekly
- ***(Updated 6/21/2021 – No longer applicable)*** The unpaid balance is transferred to the former agency, on a Request for Bill of Collection we will provide a statement—(The employee is employed with an agency that IBC services. You can submit a copy of the A-04 form found in our Client Interface Guide <https://ibc.doi.gov/HRD/payroll-manuals#Appendix>) if you would like to pursue collection action through IBC.
- ***(Added 6/21/2021)*** Deductions for the deferral will continue for those employees with no break in service.

- For deductions from more than one agency, all deductions will be summed together to create the 2020 Form W-2C, Corrected Wage and Tax Statement, for the agency in which the deferral was incurred.

**22. How is the deduction of the OASDI tax deferral reflected on an employee’s LES?**

- **(Updated 6/21/2021)** *(This bullet will only apply until PP 2021-16 – please see next bullet for changes that will occur after PP 2021-16)* Unfortunately, the deduction is currently not reflected on the LES. However, starting in PP2021-02 a universal remark was added to **all** LES that states ‘Your Net Pay may include a collection for OASDI Tax Deferral repayment; although, you will not see it reflected in deductions’. Unfortunately, we were unable to only target those who are repaying the OASDI deferral.
- **(Added 6/21/2021)** Starting in PP 2021-17, with the 21.02 release, the following changes will take effect:
  - **(Updated 10/06/2021)** The individual deduction amount will begin to show on the LES as an “OASDI Deferred Tax” deduction under the “Deductions” column each PP. This will reflect the amount paid towards the 2020 tax deferral.
  - The year-to-date (YTD) deduction amount will show under “Total YTD” and will be the total amount collected to-date for the tax deferral.
    - **(Added 10/06/2021)** Employees that have had insufficient funds, including those in LWOP status, the year-to-date totals will include deductions paid by the agency on an employee’s behalf.
  - The deduction amounts will only be visible for employees who have collections being made, and the universal remark will no longer be visible to all employees; only to employees who have collections being made for the tax deferral.

**23. Since the deduction is not reflected on the LES and there is a universal remark on every employees’ LES, how will an employee know if they had a deduction taken out to repay the OASDI tax deferral?**

- Their net deposited into their bank account is less than the ‘Net Pay’ reflected on their LES.
- **(Added 6/21/2021)** Starting in PP 2021-17, the universal remark will no longer be visible to all employees – please refer to updated information on question 22 above.

**24. (Updated 10/06/2021) How would an employee calculate the amount of deferred tax deducted on a LES prior to PP 2021-17?**

Sample Calculation:

Gross Pay (Shown on LES)	\$ 2,308.00
Less Total Deductions (Shown on LES)	<u>- \$ 732.09</u>
Net Pay <i>Should</i> Be ( <b>Not shown on LES</b> )	\$ 1,575.91
Net Pay (Shown on LES)	<u>- \$ 1,519.93</u>
OASDI Tax Deferral Repayment Deduction ( <b>Not on LES</b> )	\$ 55.98

**25. Can an employee voluntarily repay the OASDI tax deferral balance prior to PP 2021-25 or in a lump sum?**

- *(Updated 10/6/2021)* – At this time, the IBC is unable to accommodate this request. However, *(Added 10/6/2021)* beginning in PP 2021-26, employees in the following FPPS pay statuses are eligible to make a lump sum payment of their OASDI tax deferral balance owed **between December 6-30, 2021, only (all other pay status categories remain ineligible to make voluntary payments):**

<b>Code</b>	<b>Description</b>
<b>F</b>	<b>FECA</b>
<b>L</b>	<b>LWOP/Furlough/Suspension</b>
<b>M</b>	<b>Military Furlough</b>

*(Added 10/6/2021)*

- **How to Identify Employees in the F, L, and M pay status categories:**
  - Pull the most recent Datamart query to identify employees in the statuses F, L and M
    - **Please note: You will need to verify the identified employees who were in a pay status between PP 2020-19 through PP 2020-26, and had the OASDI tax deferral**

*(Added 10/6/2021)*

- **How to Calculate remaining amount (Lump Sum) of OASDI tax deferral balance owed:**

<b>Line Items</b>	<b>Sample Calculation</b>	<b>Information Located</b>
Start with the Total OASDI Deferral Amount Owed:	\$817.89	Found in the listing provided to agency User Group Representatives on January 19, 2021
<b>Subtract the YTD OASDI Deferral Repayment Amount</b> (Note this includes payments an agency made on an employee's behalf):	<b>(\$561.23)</b>	Go into FPPS under "Pay Calculate Detail" and enter the most recent Processing Pay Period. Go to Biweekly Summary – YTD and identify amount for OAD (OASDI Deferral) pay code
<b>Add the Unpaid OASDI Deferral Repayment amounts made on behalf of the agency</b> (Open OASDI Debts):	<u>\$448.98</u>	Locate the most recent monthly Debt Management "Accounts Receivable Report" in Datamart, and Total all open debts with IDs ending with a "D"
<b>Total remaining balance owed</b> (Amount to be paid to IBC)*:	<b>\$705.64</b>	

**\*Please note that if any over-deduction occurs, refunds will be issued in January 2022**

*(Added 10/6/2021)*

- **When and how the OASDI tax deferral balance lump sum payment can be made (pay categories F, L, and M only):**
  - **Timeframe:**
    - Eligible employees (F, L, and M only) can make a lump sum payment **between December 6-30, 2021 only**. Lump sum payments can be made by sending in a check or money order to the IBC or by having the employee use Pay.Gov to make the payment. If the employee decides to use the Pay.Gov option, there is no fee to the employee and the agency is not required to take any action.
  - **Payment options for OASDI tax deferral balance lump sum (pay categories F, L, and M only):**
    - **Payment by check or money order:**  
*Checks and money orders must be made payable to the **Department of the Interior**. Please add “**Deferred Tax**” on the memo line.*  
Payment should be sent directly to:  
Payroll Operations Division, D-2613  
PO Box 272030  
Denver, CO 80227-9030
    - **Payment using Pay.gov:**
      1. Enter Pay.gov in the web browser.
      2. Select “Find an Agency” on the menu bar.
      3. Select “I” or scroll down to the “I” to select “Interior (DOI): Interior Business Center (IBC).
      4. Select the “Continue” button under the “Department of Interior-IBC” heading.
      5. Follow the steps below to complete the form:
        - a. Complete Agency Form “Overpayments”
        - b. Enter Payment Info
        - c. Review & Submit
        - d. Confirmation(The online form Bill Number you will want to use is “**Deferred Tax**”)

**26. Will an employee have to pay interest and penalties if the OASDI tax deferral is not repaid prior to December 31, 2021?**

- According to IRS Notice 201-11, penalties, interest and additions to tax will now start to apply on January 1, 2022, for any unpaid OASDI deferred balance.

**Other OASDI Tax Deferral Impact Questions:**



## 27. How will the OASDI tax deferral affect the employee's tax reporting?

- Any deferred OASDI tax that was not withheld will not be reported on the 2020 Form W-2, Wage and Tax Statement, in box 4 (Social security tax withheld). Employees were issued a 2020 W-2, Wage and Tax Form, in January 2021 reflecting actual amounts for OASDI withholding and Wages.
- When repayment has been made, per IRS guidance, a 2020 Form W-2C, Corrected Wages and Tax Statement, will be issued.
  - **(Added 6/21/2021)** The IBC is targeting the second quarter of calendar year 2022 to issue the 2020 Form W-2Cs, for all employee statuses.
    - If an employee is issued a 2020 Form W-2C showing a correction, to account for OASDI tax that was deferred in 2020, and withheld in 2021, in most cases, no further action is required by the employee to file an amended income tax return with the exception below.
      - Exception (rare situations):
        - If the employee had more than one employer in 2020 and more than \$8,537.40 in OASDI tax withheld, they may be able to claim a credit for the excess – See Form 1040 instructions and Publication 505, Tax Withholding and Estimated Tax.
          - If the total of an employee's OASDI tax withholding exceeds \$8,537.40 on one or more Form(s) W-2 and/or Form(s) W-2C **issued by EIN 84-1024566**, employees should contact the Customer Support Center at the interim contact number: 720-673-9958 or via email at [Payroll\\_Helpdesk@ios.doi.gov](mailto:Payroll_Helpdesk@ios.doi.gov), for a refund.
          - If the withholding exceeds \$8,537.40 but the Form(s) W-2 and/or Form(s) W-2C are not from the EIN number listed above, the employee may need to file an amended return to receive the refund of overpayment.