

Payroll Social Security Tax Deferral and Repayment Frequently Asked Questions (FAQs)

General Questions:

1. Who is my agency's payroll provider?

- The Department of the Interior, Interior Business Center.

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, 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 Pay Period (PP) 2020-19**, 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?

- It ends 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)
Plus: OASDI Deferral (Shown on LES)	<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?

1. On January 19, 2021, the IBC provided agencies list of amounts owed to user group representatives of balances owed as of PP 2020-26.
2. Employees can review their LES’ for PPs 2020-19 through 2020-26.
 - a) These LESs will include the remark, “*Your Net Pay Includes Deferred OASDI Tax Amount; although, you will see it reflected in deductions.*”
 - b) Using the LES statements that reflect the above remark, employees can add together the OASDI deduction amounts from each LES under “deductions” to get the total amount owed

****Please note that 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 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 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 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.

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

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

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

****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
- 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
 - IBC worked with impacted agencies to make the employees' whole along with provided how repayment would occur going forward.
 - IBC also provided a list of those employees to each agency.
 - Those 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 back 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 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*

- For PP they become inactive:
 - Will deduct one PP deferral amount owed from last paycheck
- From Lump Sum Leave Payment (if applicable):
 - Will attempt to deduct balance owed
 - If full deduction cannot be made, the deferral becomes a liability to the agency and debt to the employee*
 - Please see the question *'What happens when an employee transfers to another Department within the same database?'* for possible option to recoupment of the debt

***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 standard procedure, the debt will be transferred to the agency to pursue under the agency’s normal debt collection process

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

- The IBC is monitoring these bi-weekly
- 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.

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

- 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.

23. Since the deduction is not reflected on the LES and there is a universal remark on all LES’, how will an employee know if they a deduction for taken out to repay the deferral?

- Their net deposited into their bank account is less than the ‘Net Pay’ reflected on their LES.

24. How would an employee calculate the amount of deferred tax deducted on a LES:

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 (Not shown on LES)	\$ 1,575.91
Net Pay (Shown on LES)	<u>- \$ 1,519.93</u>
OASDI Tax Deferral Repayment Deduction (Not on LES)	\$ 55.98

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

- At this time, we are unable to accommodate such a request. However, we continue to explore options to allow such requests. As more information is available, this question will be updated.

26. Will an employee have to pay interest and penalties if the deferred tax 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 Tax Deferral Impacts 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 have been 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.