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BUSINESS

Trump's payroll tax holiday offer has few takers on Long Island

By Jamie Herzlich jherzlich@aol.com Updated September 24, 2020 2:04 PM

A payroll tax holiday? Local businesses say no thanks.

Many Long Island businesses aren't rushing to implement a payroll tax holiday, an executive order from President Donald Trump that would provide a temporary cash flow to workers.

The Aug. 8 order allows employers to temporarily defer withholding the 6.2% employee portion of Social Security payroll taxes from Sept. 1 through Dec. 31, but several local CPAs, attorneys and payroll firms say businesses aren't clamoring to take advantage of it.

Among areas of concern are that the payroll tax holiday is only a four-month deferral with employees facing a double deduction of taxes in their paychecks between Jan. 1 and April 30, 2021, when the tax must be repaid, and if the employee leaves before paying the deferred taxes back, the employer is responsible for repayment.

"Locally we have advised all of our clients to not participate in this program," says Ed McWilliams, a director at CPA firm Cerini & Associates LLP in Bohemia. "The employer's risk versus the benefits are too high."

Employees making under \$4,000 biweekly (under \$104,000 annually) would be eligible for the deferral, he says.

But barring any new legislation providing forgiveness for the deferral, paychecks would take a double hit come January between repayment and their normal payroll tax withholding, McWilliams says (for more guidance see nwsdy.li/payroll).

This could put employees in "an even more difficult situation," says Rob Basso, CEO of Plainview-based Associated HCM, a payroll and HR management company, noting the deferral's not mandatory for employers.

He said "zero" clients are taking it.

His firm informed clients of its availability, adding, the "majority of clients know about it, but they're not interested in doing it."

Fewer than 10 clients inquired about the deferral out of 1,000 customers, Basso says.

Pete Isberg, vice president of Government Affairs at Roseland, New Jersey-based payroll giant ADP, didn't have exact numbers yet on the number of companies, if any, taking the deferral, but said anecdotally "there's a lot of concerns on the part of employers if they really want to do this."

For those not using a payroll provider, it takes an "overhaul" of their existing payroll systems to stop withholding these taxes for only four months, he says.

Plus there wasn't much prep time for employers, says Isberg, noting the IRS and Treasury guidance (nwsdy.li/IRSpayroll) came out Friday at 5 p.m. on Aug. 28, only one business day before the Sept. 1 start date.

"There wasn't a lot of lead time to make some pretty substantial changes," he says.

Vikram Rajan, co-founder of Kings Park-based phoneBlogger.net, a ghost blogging marketing service for attorneys and CPAs and co-founder of Videosocials.net, a platform for video blogging, queried his six employees to see if there was any interest and there wasn't any.

"It's putting off the inevitable of having to pay it back next year," he says. "It's not giving employees money...it's just a deferral and that's the problem I have with it."

He also doesn't want to bear the responsibility of repayment if the employee leaves and he can't collect money from them.

There also are unanswered questions: Will the 2020 and 2021 W-2 forms have to reflect the deferral and how will the repayment work other than guidance saying it must be held "ratably" from wages and compensation paid between Jan. 1 and April 30, McWilliams says.

The Department of the Treasury didn't respond to a Newsday query about some of these concerns.

David N. Milner, a partner in the Trusts and Estates and Corporate departments at Ruskin Moscou Faltischek P.C. in Uniondale, says employers have been surprisingly quiet about the deferral since it was announced.

Normally when there's a change in tax laws, clients call them, he says.

He proactively reached out to clients to inform them of the deferral, but had no one interested in taking advantage of it.

"There's no long-term benefit," he says, noting the only pro might be for an employee to receive a "little extra cash at the end of the year."

Similarly, Joseph Perry, tax and business services leader at Marcum LLP in Melville, said so far no business clients to his knowledge have taken advantage of the deferral, although they've asked questions about it.

"Overall it's an administrative burden for the employer," he says, noting not only do employers have to communicate it to employees but also have to manage it.

Also it may hurt financially the very people it was intended [to help] especially for those living paycheck to paycheck, Perry says.

"I don't think it's a really good thing for the demographics of the people it was aimed to help," he says.