

Participation in Payroll Tax Deferral for Synod Staff

Proposed: Decline to be a participating employer in the optional federal payroll tax deferral program in effect from September 1, 2020 through December 31, 2020

BACKGROUND INFORMATION: On August 8, President Donald Trump signed an executive order setting up a payroll tax deferral option available between Sept. 1 and Dec. 31 of this year. On August 28, the IRS issued some guidance on this topic. The synod's payroll vendor, Clergy Financial Resources, recently provided the following summary of IRS guidance:

- * It appears it is optional for the employer/church to participate.
- * If the employer does participate, FICA taxes for all eligible employees will be deferred. If the employer does not participate, FICA taxes for all employees will be withheld as usual.
- * Only available to non-clergy employees
- * Effective starting September 1, 2020
- * It only applies to employees paid less than \$4,000 biweekly or the equivalent of \$4,000 if paid on another frequency.
- * The employer defers withholding the employee's social security tax for the period of September 1, 2020 through December 31, 2020.
- * The employer is to withhold and deposit the deferred amount during the period of January 1, 2021 to April 30, 2021.
- * Any deferrals not deposited by April 30, 2021 will be subject to interest and penalties.

Additional explanation from Clergy Financial Resources: Basically, this gives the employees a small amount of increased cash-flow in each check for the rest of the year by deferring those liabilities into 2021. Then during Q1 of 2021 the church would need to collect that money from the employee. If they are unable to acquire it from the worker (for example, if the employee has terminated employment, is unwilling to cooperate, or is not paid enough wages), then the church would be "on the hook" for the deferred amount. Due to the fact that this is only a small amount of tax and it is only pushing the liability to be paid later and the fact that it could cost the church additional money if the participating employee does not cooperate, currently, we are advising churches against participating.