

Social Security deferral for self-employed and household employers

Payments must be made by December 31, 2021, to avoid penalties.

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The CARES Act allowed employers to defer one-half of the employer's 6.2% share of OASDI (Social Security tax) for the period March 27, 2020, through December 31, 2020.¹ The portion of Social Security taxes that are deferred must be repaid as follows:

- 50% of the deferral by December 31, 2021; and
- 50% of the deferral by December 31, 2022.

Self-employed individuals and household employers were similarly eligible to defer their employer share of their Social Security taxes.² These taxpayers, who don't typically file quarterly payroll tax returns, calculated their deferral on their 2020 income tax returns.

For self-employed taxpayers, the deferral was calculated on their 2020 Form 1040, Schedule SE, Part III. For household employers, the deferral was calculated on their 2020, Form 1040, Schedule H, Part I.

Repayments

Many tax professionals have assumed that any deferral of their clients' self-employed or household employer's Social Security taxes would be repaid when their clients file their 2021 and 2022 income tax returns. This is not the case.

The IRS has stated that taxpayers can make their Social Security repayments through:

- The Electronic Federal Tax Payment System (EFTPS);
- Credit card;
- Money order; or
- Check.

Taxpayers should make their repayments of deferred Social Security taxes separately from other tax payments, and they should designate the payments as "deferred Social Security tax."

Taxpayers who are unable to make the full payment of the deferred taxes owed timely should make as much of a payment as they can to limit penalties and interest.

Additional information can be found at the following IRS website:
www.irs.gov/newsroom/how-self-employed-individuals-and-household-employers-repay-deferred-social-security-tax



¹ CARES Act §2302

² *Id.*

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