



CARES Act: Extension of Social Security tax payments and estimated tax payments

April 3, 2020

On March 27, 2020, The [Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#), P.L. 116-136, was signed into law by President Trump. Sec. 2302, *Delay of Payment of Employer Payroll Taxes*, permits employers to delay payment of the 6.2% employer share of the Social Security tax on employee wages (but **not** the 1.45% employer share of the Medicare tax) from March 27, 2020, through the end of the year. Employers who utilize this permitted deferral will be required to pay 50% of the tax on or before the end of 2021, and the remaining 50% on or before the end of 2022. In effect, Sec. 2302 creates an interest free loan with full repayment overdue 33 months later.

Self-employed individuals subject to self-employment (SECA) tax, may also delay payment of half (i.e. 6.2%) of the Social Security tax they pay (but not the 2.9% of the Medicare tax).

Sec. 1102 of the CARES Act sets out the new guaranteed loan program at the SBA for small businesses (up to 500 employees) to cover payroll during the immediate crisis (Paycheck Protection Program (PPP)). The PPP authorizes up to \$349 billion in forgivable loans to small businesses to pay their employees during the COVID-19 pandemic. Employers who receive a loan under the PPP will owe money when the loan is due if (i) the employer uses the loan amount for anything other than payroll costs, mortgage interest, rent and utilities payments over the 8 weeks after getting the loan, or (ii) the employer does not maintain the employer's staff and payroll. If the employer does utilize the loan funds for permitted costs and maintains staff and payroll, they may seek forgiveness of the loan under Sec. 1106 of the Act. A more detailed summary of the PPP can be found [here](#).

Importantly, employers that receive loans under Sec. 1102 of the CARES Act *and* who have such loans forgiven under Sec. 1106 of the Act are **not** eligible to defer the 6.2% Social Security tax. Employers seeking to obtain an SBA loan should discuss the economic benefits with their tax accountants to determine the best course of action in deciding between one or both of these relief options.

The CARES Act **does not** extend the due date for estimated tax payments by individuals and corporations to October 15, 2020, as originally proposed under the Senate version of the Bill. Although the Treasury and the IRS have already extended the payment due date for the first quarter (January 1 – March 31) estimated tax payments to July 15, 2020, no guidance has yet been issued with regard to the second quarter payment (April 1 – May 31) which remains due on June 15, 2020. It is expected this second quarter payment deadline will be similarly extended.

Authors

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