

Deferral of Employment Tax Deposits for Dentists

Now that almost all of you that applied for the PPP loan have received it, I wanted to start focusing our attention on some of the other federal programs out there that may be available to you.

The CARES Act provided that employers may defer the deposit and payment of the employer's portion of Social Security taxes that are due from March 27th, 2020 through December 31st, 2020.

Under the CARES Act, this was not allowed if you had also received a Paycheck Protection Program Loan, so we had not been recommending this. However, the Paycheck Protection Program Flexibility Act was just signed into law on June 5, 2020, which reversed this rule.

As part of this Act, if you received a PPP Loan, you can now defer deposit and payment of your share of social security tax through December 31, 2020, whether or not your loan was forgiven.

The amount of the employer's share of social security that was deferred will be due as follows:

1. 50% due by December 31, 2021
2. The remaining 50% due by December 31, 2022.

This essentially gives you up to 2.5 years to pay the 6.2% social security tax that would have been due from March 27th, 2020 through December 31st, 2020. This translates to an interest free loan since the government will allow you to pay this portion of the payroll tax spread over two and a half years.

The deferral is not only available to employers with payroll, but is also available to those that are self-employed and report their income through either a Schedule C or Partnership.

If after receiving your PPP loan and EIDL, you are still experiencing significant financial difficulties, you may want to consider taking advantage of this. Otherwise, you could simply run your payroll as you had done in the past. If you decide to defer the payment of the employer share of social security tax over this 2.5-year period, you will need to notify your payroll company when processing your next payroll.

If you would like more information on how this works, please reach out to any one of our accounting staff and we'd be more than happy to provide you with more details. You can call (718)-980-9000 with questions.