

Form W-2 Reporting of Employee Social Security Tax Deferred Under Notice 2020-65

Cross References

- www.irs.gov

The IRS has posted instructions on its website for how to report employee Social Security taxes in cases where the employer elected to defer 2020 taxes until after December 31, 2020. The following is a copy of those instructions.

Instructions for Employers

On August 8, 2020, a Presidential Memorandum was issued, directing the Secretary of the Treasury to use his authority pursuant to section 7508A of the Internal Revenue Code to defer the withholding, deposit, and payment of certain payroll tax obligations. In response to the Presidential Memorandum, Treasury and the IRS issued Notice 2020-65 on August 28, 2020. The Notice allows employers the option to defer the employee portion of Social Security tax from September 1, 2020 through December 31, 2020, for eligible employees who earn less than \$4,000 per bi-weekly pay period (or the equivalent threshold amount with respect to other pay periods) on a pay period-by-pay period basis. To pay the deferred amount of the employee portion of Social Security tax, the employer will ratably withhold the amount of Social Security tax deferred from the employees' paychecks from January 1, 2021 through April 30, 2021.

If you deferred the employee portion of Social Security tax under Notice 2020-65, when reporting total Social Security wages paid to an employee on Form W-2, *Wage and Tax Statement*, include any wages for which you deferred withholding and payment of employee Social Security tax in box 3 (Social security wages) and/or box 7 (Social security tips). However, do not include in box 4 (Social security tax withheld) any amount of deferred employee Social Security tax that has not been withheld.

Employee Social Security tax deferred in 2020 under Notice 2020-65 that is withheld in 2021 and not reported on the 2020 Form W-2 should be reported in box 4 (Social security tax withheld) on Form W-2c, *Corrected Wage and Tax Statement*. On Form W-2c, employers should enter tax year 2020 in box c and adjust the amount previously reported in box 4 (Social security tax withheld) of the Form W-2 to include the deferred amounts that were withheld in 2021. All Forms W-2c should be filed with SSA, along with Form W-3c, *Transmittal of Corrected Wage and Tax Statements*, as soon as possible after you have finished withholding the deferred amounts. See the 2021 General Instructions for Forms W-2 and W-3 (to be published in January 2021) for more information about completing and filing Forms W-2c and Forms W-3c. Forms W-2c should also be furnished to employees, and

you may direct your employees to (or otherwise provide to them) the Instructions for Employees, below, for instructions specific to this correction.

Similarly, when reporting total Railroad Retirement Tax Act (RRTA) compensation include any compensation for which you deferred withholding and payment of the employee Social Security tax equivalent of Tier 1 RRTA tax under Notice 2020-65 in box 14 of the 2020 Form W-2, *Wage and Tax Statement*. However, do not include in box 14 any amount of deferred employee Tier 1 RRTA tax that has not been withheld.

Employee RRTA tax deferred in 2020 under Notice 2020-65 that is withheld in 2021 and not reported on the 2020 Form W-2 should be reported in box 14 on Form W-2c for 2020. On Form W-2c, employers should adjust the amount previously reported as Tier 1 tax in box 14 of the Form W-2 to include the deferred amounts that were withheld in 2021. See the 2021 General Instructions for Forms W-2 and W-3 (to be published in January 2021) for more information about completing and filing Forms W-2c and Form W-3c, *Transmittal of Corrected Wage and Tax Statements*. Employee copies of Forms W-2c should be furnished to employees, and you may direct your employees to (or otherwise provide to them) the Instructions for Employees, below, for instructions specific to this correction.

Instructions for Employees

If you had only one employer during 2020 and your Form W-2c, *Corrected Wages and Tax Statement*, for 2020 only shows a correction to box 4 (or to box 14 for employees who pay RRTA tax) to account for employee Social Security (or Tier 1 RRTA tax) that was deferred in 2020 and withheld in 2021 pursuant to Notice 2020-65, **no further steps are required**. However, if you had two or more employers in 2020 and your Form W-2c for 2020 shows a correction to box 4 (or to box 14 for employees who pay RRTA tax) to account for employee Social Security (or Tier 1 RRTA tax) that was deferred in 2020 and withheld in 2021, you should use the amount of Social Security tax (or Tier 1 RRTA tax) withheld reported on the Form W-2c to determine whether you had excess Social Security tax (or Tier 1 RRTA tax) on wages (or compensation) paid in 2020.

If the corrected amount in box 4 of the Form W-2c for 2020 causes the total amount of employee Social Security tax (or equivalent portion of the Tier 1 RRTA tax) withheld by all of your employers to exceed the maximum amount (\$8,537.40) of tax that you owe, or increases an already existing excess amount of employee Social Security tax (or Tier 1 RRTA tax withheld), then you should file Form 1040-X, *Amended U.S. Individual Income Tax Return*, to claim a credit for the excess Social Security tax (or Tier 1 RRTA tax) withheld. See the instructions to line 10 of Schedule 3 in the 2020 Instructions for Form 1040 and Form 1040-SR for more information.