

## THE DEFFERAL OF IRS EMPLOYMENT TAX DEPOSITS AND PAYMENTS DURING COVID-19 EMERGENCY

Business owners in Puerto Rico and the United States are beginning to re-open after months of lockdown due to the COVID-19 pandemic. The re-opening of businesses represents a huge economic challenge since the losses in revenue affected the ability of many businesses to continue operating as they were doing so prior to the outset of the COVID-19 emergency.

The United States Congress has made funds and other economic tools available to businesses operating in the States and Puerto Rico, in order to ease the burden to those who wish to resume operations. One of the tools available is to allow businesses and self-employed individuals to defer the Social Security tax deposits and payments due during the period beginning on March 27, 2020 ending December 31, 2020.

This tool represents an important boost to the cash flow and liquidity situation for many businesses and self-employed individuals. Most importantly, no application is necessary to enjoy a deferment on the Social Security tax deposits.

### Deferral of employment tax deposits and payments through December 31, 2020

The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") allows employers to defer the deposit and payment of the employer's share of Social Security taxes, and also enables self-employed individuals to defer payment of a portion of self-employment taxes. This benefit may be enjoyed in addition to other tax credits under the Families First Coronavirus Response Act and/or the Employee Retention Credit Under the CARES Act.

The Social Security tax deferment is not available for those businesses having a loan under the PPP which has been forgiven.

No application or special election or action is required to receive this benefit. The IRS has announced that it will revise Form 941 (Employer's Quarterly Federal Tax Return) for the second calendar quarter of 2020 to implement this relief. The IRS intends to provide additional information in the near future to instruct employers how to reflect the deferred deposits and payments otherwise due on or after March 27, 2020 for the first quarter of 2020 (January - March 2020).

Self-employed individuals may defer the payments of 50% of the Social Security tax on net earnings from self-employment income for the period beginning on March 27, 2020 ending December 31, 2020.

The deferred payments must be deposited by the following dates in order to be treated as timely and avoid a penalty for failure to deposit in a timely manner:

1. On December 31, 2021, 50% of the deferred amount; and
2. On December 31, 2022, the remaining outstanding amount.

Should you or your company have any questions or interest with respect to the IRS deferral of employment tax deposits, you may contact the attorneys at Vidal, Nieves & Bauzá, LLC, a corporate law firm with special emphasis in energy and environmental matters, corporate, tax, transactional, real estate and insurance practices.

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