

New COVID Relief Bill – Expanded worker benefits; payroll tax changes

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021 (the “Act”). In addition to the 2021 appropriations and authorizations, this spending package includes \$900 billion in emergency coronavirus relief. Among other things, the Act provides some relief for those whose payroll taxes have been deferred since September 2020.

Back on August 8, 2020, the President issued a memorandum allowing employers to defer withholding employees’ share of social security taxes or the railroad retirement tax equivalent. This original deferral period was from September 1, 2020 through December 31, 2020. Workers were directed by the Treasury Department that they had until April 30, 2021 to pay back these tax deferrals. This essentially provided employers the option to defer withholding certain taxes from their employees’ pay for the first four months, then withhold the deferred amount (in addition to standard withholdings) ratably for the following four months to pay back the deferral.

The Act extends the end of the repayment period from April 30, 2021 to December 31, 2021. As such, any deferred amount must now be withheld from the employee wages and repaid ratably during the twelve month period between January 1, 2021 and December 31, 2021. Additionally, before passage of the Act, penalties and interest on deferred unpaid tax liability were initially set to begin to accrue on May 1, 2021. After passage of the Act, those penalties and interest will not begin to accrue until January 1, 2022.

Further, terms under the Families First Coronavirus Response Act (FFCRA) regarding: (i) paid sick leave for an employee quarantined related to possible COVID-19 symptoms (up to 80 hours); and (ii) family leave for childcare related to COVID-19 (up to 10 weeks), that were originally in effect until December 31, 2020 are now extended through March 31, 2021 under the Act.

As always, Bodman’s attorneys are available to assist you as businesses adjust to this difficult time and we will be providing frequent updates and additional FAQs as the situation develops. Please contact your Bodman attorney or Joe Morrison at (734) 930-2492 or jmorrison@bodmanlaw.com or Garrett Haddon at (248)-457-3145 or ghaddon@bodmanlaw.com for more information. Bodman cannot respond to your questions or receive information from you without first clearing potential conflicts with other clients. Thank you for your patience and understanding.