

Peter Diamond Weighs in on President Trump's Payroll Tax Deferral

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SCOTTSDALE, AZ, USA, August 12, 2020 /EINPresswire.com/ -- Last Saturday President Trump signed executive action to defer payroll tax collection from September 1, 2020 until December 31, 2020 for individuals making less than \$104,000 annually or less than \$2,000 per week. Currently, employees must pay FICA or Federal Insurance Contributions Act taxes of 6.2% on wages capped out at \$137,700.

The key word in the executive action is that the payroll taxes are deferred, meaning that the amount of tax the employees or employers actually owe does not change, it is simply deferred to a later date. Without the act of Congress, President Trump's executive action can't permanently eliminate or forgive the deferred taxes. Any employees and employers choosing to defer will be accumulating debt with the IRS. Considering that the FICA taxes are what funds Social Security, it is extremely unlikely that Congress will get behind the executive action. My recommendation for now is business as usual until there is more clear and permanent guidance moving forward.

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