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As part of our ongoing efforts to keep you apprised of the developments regarding the August 8, 2020 Presidential Memorandum providing temporary deferral of Social Security tax withholdings, we report today that the Defense Finance and Accounting Service (DFAS) has announced that DFAS will defer withholding for both civilian employees and military members.<sup>1</sup> Furthermore, neither civilian employees nor military members are eligible to opt-out of such deferral.

## DFAS Implements Temporary Payroll Tax Deferral—No Opting-Out

This development follows on the heels of the IRS's September 3, 2020 monthly payroll industry teleconference after which Bloomberg Tax and Accounting reported that:

*"[t]he federal government chose to implement the deferral of the employee portion of Social Security tax 'for all executive branch agencies and their eligible employees,' the General Services Administration's payroll team said Sept. 3 in an update to its set of frequently asked questions and answers regarding the deferral."<sup>2</sup>*

### DFAS's Position

In its recent announcement, DFAS provided that it will temporarily defer Social Security tax withholding of both military members and civilian employees. Specifically, DFAS separately addressed military members and civilian employees as follows:

- For military members, DFAS stated that it will temporarily defer withholding Social Security tax if the basic pay monthly rate is less than \$8,666.66. If their basic pay monthly rate meets or exceeds this threshold, then Social Security tax withholding will not be affected by the temporary deferral. DFAS clarified that military members "can use their August or prior LES as a good reference for their typical Social Security tax amount."<sup>3</sup> DFAS noted that, in the case of military members, this is effective for the September mid-month pay.
- For civilian employees, DFAS provided that it will temporarily defer Social Security tax withholding if wages, subject to such tax are less than \$4,000 in any pay period. DFAS further stated that civilian employees "can use the "Taxable Wages" on the LES as a good reference for whether they will have OASDI tax deferred."<sup>4</sup> According to DFAS, this is effective with the pay period ending September 12, 2020.

Significantly, DFAS emphasized that: (1) neither military members nor civilian employees are eligible to opt-out of the deferral "if their Social Security wages fall within the stated limits,"<sup>5</sup> and (2) that the deferrals will occur automatically.

DFAS also explained that “collection of the deferred taxes will be taken from your wages between January 1 and April 30, 2021 for both military members and civilian employees.”<sup>6</sup> According to DFAS, upon any separation or retirement in 2020 before the Social Security tax can be collected, that departing or retiring civilian employee or military member is responsible for the Social Security tax repayment.

**If you need help with your Social Security tax, please contact our tax team at 410-862-3872 or fill out our [online form](#) for any questions.**

#### Footnotes

1. You can read the announcement in full at: <https://www.dfas.mil/taxes/Social-Security-Deferral/#:~:text=Civilian%20Employees%20%2D%20Effective%20pay%20period,in%20any%20given%20pay%20period.>
2. BTAX OnPoint, Employee Social Security Tax Deferral (Sept. 10, 2020).
3. <https://www.dfas.mil/taxes/Social-Security-Deferral/#:~:text=Civilian%20Employees%20%2D%20Effective%20pay%20period,in%20any%20given%20pay%20period.>
4. *Id.*
5. *Id.*
6. *Id.*

## Additional Resources



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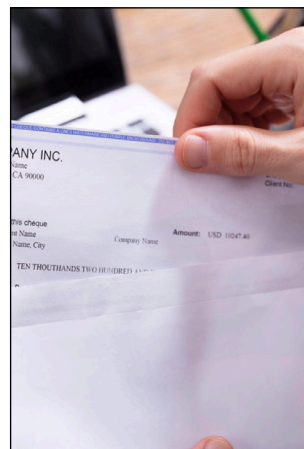
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