



## THE CARES ACT AND RELEVANCE TO THE AUTOMOTIVE INDUSTRY IRS ISSUES GUIDANCE ON CARES ACT DEFERRAL OF EMPLOYMENT TAX DEPOSITS

The IRS has issued FAQ's on the deferral of the deposit and payment of employment taxes that are provided by the CARES Act. Following are highlights of the program:

- Section 2301 of the CARES Act allows employers to defer the deposit and payment of the employer's share of social security taxes; this is the 6.2% employer portion.
- The deferral applies to deposits and payments of the employer's share of social security tax that would otherwise be a required payment during the period beginning on March 27, 2020 and ending on December 31, 2020.
- Form 941, Employer's Quarterly Federal Tax Return, will be revised for the second calendar quarter of 2020. Information will be forthcoming to instruct employers how to reflect the deferred deposits and payments.
- **KEY RULE - Employers who have received a PPP loan, but whose loan has not been forgiven, may defer deposit and payment of the employer's share of social security tax through the date the lender issues a decision regarding whether to forgive the loan.**
- Once an employer receives a decision from its lender that its PPP loan is forgiven, the employer is no longer eligible to defer deposit and payment of the employer's share of social security tax due after that date.
- The deferred deposits must be deposited by the following dates in order to be treated as timely (and to avoid a failure to deposit penalty):
  - On December 31, 2021, 50% of the deferred amount
  - On December 31, 2022, the remaining amount.
- **EXAMPLE – If your monthly payroll were \$500,000, you would generally be able to defer paying 6.2%, or \$31,000 per month, up to the date of the loan forgiveness.**