

PPP LOAN PROCEED BENEFICIARIES MAY DEFER SOME FEDERAL EMPLOYMENT TAXES

April 17, 2020 | **CLIENT ALERTS**

In guidance released by the Internal Revenue Service, the frequently asked question of whether or not individuals or entities that have received a loan under the Payroll Protection Program created by the CARES Act passed on March 27, 2020, could also defer the employer portion of any Social Security taxes that would otherwise be required to be paid on a quarterly basis was answered.

In guidance released on April 10, 2020, the IRS stated that the recipient of a PPP loan may still defer payment on the employer's share of Social Security taxes ordinarily due on a quarterly basis provided, however, that the PPP loan had not yet been forgiven by the borrower's lender. Therefore, a PPP loan recipient may defer payment on the employer's share of Social Security taxes owed by the borrower for the period starting March 27, 2020, through the date in which their PPP loan is forgiven. No such deferral will be allowed for any amounts owed after the date on which the borrower's loan has been forgiven.

The deferral of the employer portion of Social Security taxes is possible for the period of March 27, 2020, to December 31, 2020, per Section 2302 of the CARES Act. Of the total amount deferred by the taxpayer, 50% must be paid by December 31, 2021, and the remaining 50% must be paid by December 31, 2022. However, as previously discussed, the period eligible for deferral for PPP loan recipients will be March 27, 2020, through the date in which their PPP loan is forgiven.

We are happy to assist if you have applied for a PPP loan and have any questions regarding how the proceeds may be used once they are received, or the consequences of receiving a PPP loan.

With any questions on the evolving guidance released on the PPP program or any other aspects of the CARES Act, please contact the attorney with whom you work or any of the attorneys listed below.

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