Process to Handling the President's Executive Order in CheckMark Payroll

The Executive order to **defer** the employee's Social Security may begin 9/1/20 and currently ends 12/31/20. The company **does** have the option to **opt-out** of this order. Since the US Treasury did not release any guidelines until late in the day on 8/28/20, there was no time for us to make any changes to the program. According to the minimal guidelines released from the IRS on 8/28/20, the **company is liable** for the payment of the **deferred** employee Social Security. There have been no details released from the IRS as to how reporting will be affected. Using the method we describe below, employers will make full deposits to the IRS.

Note: Employees need to also be made aware that this is a **deferred** adjustment and the amount **deferred** will be repaid in 2021. Therefore, employees will have an additional deduction for the Social Security tax that was **deferred** from 2020. CheckMark is providing a work around for companies and employees who wish to exercise this option. The work around is to treat this as a loan that the employee will pay back in 2021 to the company. CheckMark recommends that the company draft a document for employees to sign stating that this will be a loan and there will be a deduction from payroll checks in 2021 to pay back the **deferred** Social Security. The document should also state that if an employee leaves before the amount is paid back, then the remaining amount will be withheld from the employee's final check. If there is an additional amount due, the employee must make payment to the employer or be subject to collections.

1. Set up the Additional Income category
   Since the **deferred** Social Security is a liability for the company, we are recommending that an income be set up to pay the employee back the Social Security, instead of zeroing out the Social Security amount in the calculate pay, as that will cause the program to zero out the employer portion of Social Security and that does have to be calculated and paid. See set up below.

   Note: This income will be included in gross wages on the Earnings Register, but will not appear as taxable wages. If you select the checkbox "Omit from Gross Pay on the Check Stubs", the income amount will not be included in Gross Wages on the employee's check stubs.

2. Set up the Deduction category
   This category will not be used until 2021 when the employee is paying the company back for the Social Security that was **deferred** in 2020

3. Assign the income and deduction to the employee
4. Running Payroll
   In Calculate Pay, select the employee that is using the SS-EO category. Since the category is a variable amount, you need to manually enter the amount that was calculated for the Social Security on this check for the employee.
   Note: If the category has been set up correctly, taxes and deductions will not change when adding the amount to the SS-EO category.

5. Posting to your accounting program.
   You may want to set up a separate account to post the loan amounts to. This will simplify tracking.
6. Before running the 1st payroll in 2021, you will need to set up the loan amounts for employees that have opted for this **deferred** Social Security tax in 2020.
   a. After you start the new year for 2021, select the employee to set up the loan pay back.
   b. Assign the "SS-EOPayback" deduction to the employee
   c. Determine the total amount that needs to be paid back. This will be the YTD amount of the SS-EO income category in 2020. Enter this YTD amount as the limit for the deduction.

d. Determine the amount to be deducted from each check. This amount will be calculated by taking the YTD amount divided by the number of payrolls. According to the Executive order, the amount should be paid back by 4/30/2021. Enter this number for the Rate/Amount
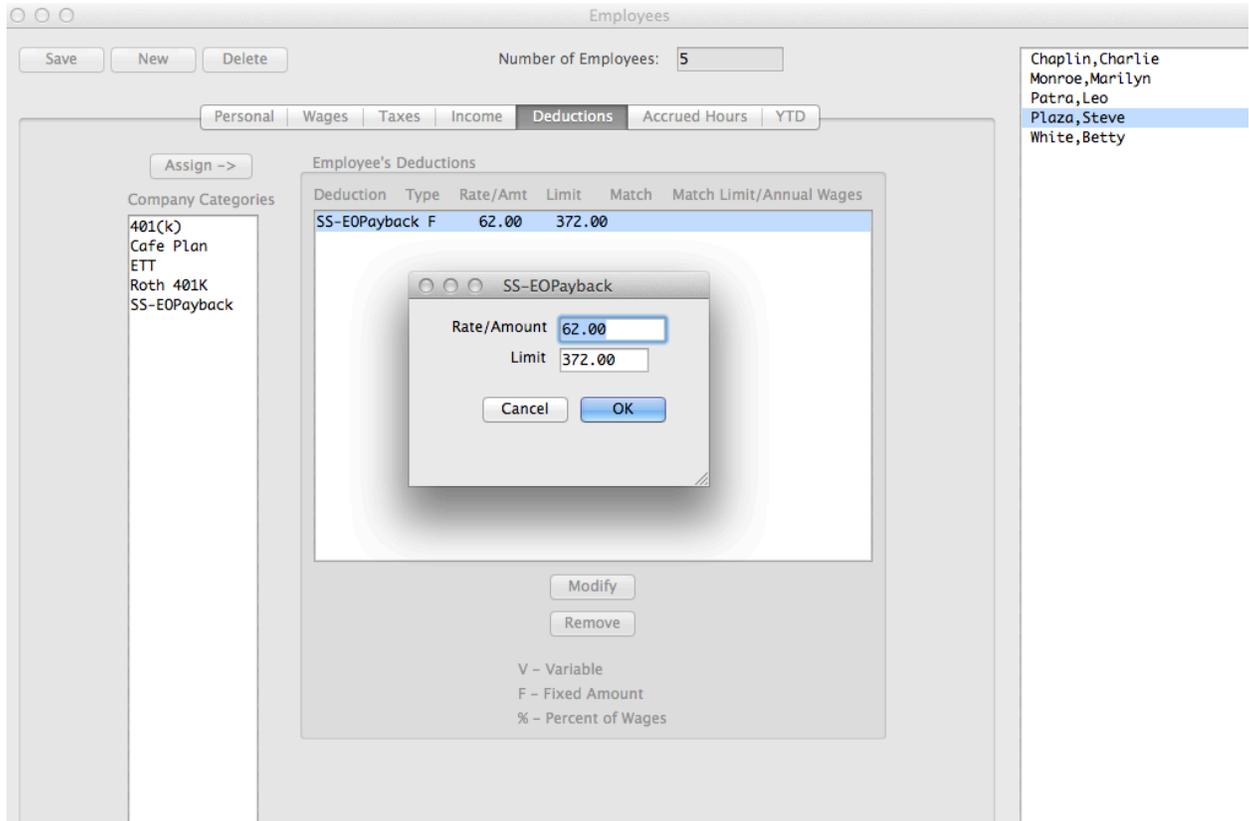
If the deduction is set up correctly, the SS-EO Payback deduction will automatically stop when the full amount of the loan has been reached in 2021.

Because you are still deducting the SS tax, you will make your tax deposits and file your quarterly reports like you normally would.

ADDITIONAL NOTE: If you have a Deduction setup that is a % of Income, you will need to make sure the deduction is setup properly – if you go to Deduction setup and select the deduction (ex. 401k) – make sure the "Apply to" is set to "Wages – Exempt Income". If there is an Employer match, you also need to make sure the "Apply to" is set to "Wages – Exempt Income" in that section as well. If you setup the Additional Income as we recommended above, with the "Deduction %" marked as "Exempt From" then it will not add in the amount you enter in the SS-EO as part of the 401k calculation. If you have any other Additional Incomes that are marked with Deduction % that DO need to be part of the income that the 401k is calculated on, then you need to uncheck that box in the Additional Income screen.

Deductions

Save **New** **Delete**

Load from List

Deduction

`401(k)`

401(k)
Cafe Plan
ETT
Roth 401K
SS-EOPayback

Calculation Method

○ Variable Amount

○ Fixed Amount [　　　] per [Pay Period ⇕]

● Fixed % [0.0000] Apply to [Wages - Exempt Income ⇕]

Limit Type **Amount**

[Annual Deduction Amount ⇕] [19500.00]

Employer Match

Type **Amount/Rate** **Annual Wages Limit** **Apply to**

[Fixed % ⇕] [3.0000] [　　　] [Wages - Exempt Income ⇕]

☐ Match if No Employee Deduction
☐ Match up to Employee Deduction

☐ Include in Disposable Wages Calculations

Deduct Before

☑ Federal Tax
☐ Social Security
☐ Medicare
☐ FUTA
☑ State Tax
☐ SUTA
☐ Local Tax

W-2 Options

☐ Box 10 - Dependent Care Benefit
☑ Box 12 - Code [D]
☐ Box 14 - Other
☐ Box 18-20 - Local Tax