

WTNS Radio OSU Extension Update for September 21, 2020
Healthy People. Healthy Finances. Healthy Relationships.

On today's OSU Extension update for Healthy People, Healthy Finances, and Healthy Relationships we'll talk about deferred payroll taxes and some upcoming programs from OSU Extension.

I've mentioned on the radio here before that I enjoy teaching the "Real Money. Real World." program in our local high schools. It is very eye-opening for these students to see just how quickly our expenses add up each month. And another impressionable day is dissecting paycheck withholdings. The students watch their earnings shrink smaller and smaller with every line of federal, state and local taxes, FICA/ Social Security and Medicare, and health insurance costs.

Years ago an individual who worked in payroll for a company shared with me that if employees were expected to pay all their income taxes in one lump sum come April 15, then almost everyone would likely come up very short. Though it is a bit painful to have these taxes deducted from our paychecks each time, this strategy offers one less thing to plan for and save for on our own.

That said, an executive memorandum recently went into effect on September 1 that allows employers to defer the withholding of the employee portion of Social Security tax. Officially this is the "Old Age, Survivors and Disability" (OASDI) of "Federal Insurance Contributions Act" (FICA) taxes and is a 6.2 percent tax on employee wages. This is matched by employers also at 6.2 percent for a total of 12.4 percent going toward Social Security.

At first it was unclear how employees would know about this or whether it was an employee or employer choice to implement this tax deferral. Further clarification was provided by the IRS a couple of weeks ago and makes it pretty clear that this is an employer's call on whether to implement this. Many employers are choosing not to defer this tax payment for a variety of reasons.

Keep in mind that *deferred* means putting something off until later. So though this gives a little more money in a paycheck right now, this tax still needs to be paid to the government later. That later time is between January 1 and April 30 of 2021. There are hints out there that Congress

could eliminate this requirement, but it is risky to make any assumptions about possible Congressional decisions six months from now.

Another uncertain aspect is what would happen to employers if employees do not pay their portion of the deferred tax by next spring. Ultimately, the IRS could go after the employer for that money. And add to that complicated situations like employees leaving a company or having their jobs terminated, and you can see why most employers have a longer con list than pro list.

Several large companies have stated they will not implement the tax deferral. However, one very large employer is participating. Federal government agencies will implement the deferral for federal employees who meet the income qualifications, earning less than \$4,000.00 biweekly.

This whole situation is a good reminder of the importance of including occasional expenses in our monthly budgets. There are plenty of expenses that only come along once, twice or a handful of times a year. How are you planning for those? Remember that a monthly budget is more than just our monthly bills.

Also, it would be wise to include “what if’s” in our budgets. Depending on your family, your health insurance deductible is one of those expenses that may or may not happen. But are you prepared if you need to pay the full deductible amount for a year? Are you specifically allocating money into savings if you will need to pay that deductible? Or are you just hoping that everyone will stay healthy and accident-free?

Now we’ll take a look at some upcoming OSU Extension programs. This Thursday, I’m teaching an interactive virtual workshop to give you strategies to jumpstart conversations about inheritance and some key decision-making factors in non-titled property transfer. “Who Gets Grandma’s Yellow Pie Plate?” will be at noon coming up September 24. Please RSVP to the Coshocton Public Library at 740-622-0956. Also, this year the Farm Science Review will offer virtual programs on Food Preservation topics, starting tomorrow through Thursday. You can find links to these presentations on our OSU Extension Coshocton County Facebook page.

In closing, at OSU Extension, we are proud to work for Coshocton County to help improve our families, farms, and businesses. Please feel free to contact OSU Extension for more information at 740-622-2265 or visit our website at coshocton.osu.edu. Make it a healthy day!