

AICPA asks IRS, Treasury for guidance on payroll tax deferral

The American Institute of CPAs (AICPA) has urged the IRS and Treasury in an August 12 letter to issue guidance on President Trump's payroll tax deferral memorandum. The executive action signed by the president on August 8 instructs Treasury to defer the collection and payment of payroll taxes from September 1 through years-end for eligible employees.

The presidential memorandum to defer payroll taxes has "caused confusion and concern among accountants and businesses," according to the AICPA. Thus, in its letter released on August 13, the AICPA asks IRS Commissioner Charles "Chuck" Rettig and Assistant Treasury Secretary David Kautter to issue guidance on a number of related issues, including the following items:

- Guidance stating that the deferral is voluntary and that an "eligible employee" is responsible for making an affirmative election to defer the payroll taxes;
- Guidance stating that an "eligible employee" is an employee whose wages are less than \$4,000 per bi-weekly pay period;
- Guidance stating that the \$4,000 limit should apply separately to each employer of an employee; and
- Guidance stating a payment due date(s) for the deferred taxes and a mechanism for employees to pay the deferred taxes.

Payroll tax forgiveness

Notably, Treasury Secretary Steven Mnuchin indicated earlier this week that participation in the deferral of payroll taxes is not mandatory. "We cannot force people to participate," Mnuchin said in a televised interview. "But I think many small businesses will do this and pass on the benefits." Additionally, Mnuchin alluded that Trump intends to make the deferral a cut if reelected, essentially forgiving the deferred taxes.

To that end, White House economic advisor Larry Kudlow attempted to clarify Trump's position that the payroll tax deferral should be forgiven rather than delayed. And when Trump talks about "terminating the payroll tax", he is only referring to those taxes specified within the presidential memorandum, not the entire payroll tax as a whole, according to Kudlow.

"I just want to be clear that the president is saying that he will provide forgiveness; he will terminate the deferral on a forgiveness basis," Kudlow told reporters at the White House on August 13. "That is what he is saying just to be clear...there was some confusion about that."

Additionally, Kudlow told reporters that the payroll tax deferral would apply to the self-employed. Although the applicable presidential memorandum is not currently written as such, Kudlow added that the administration "will make a technical change to it."