

IRS issues draft 2021 Pub 15, Circular E

The IRS has released a draft of the 2021 employer's tax guide. The publication covers many new payroll-related issues summarized below.

COVID-19 employment tax credits, relief

- The Families First Coronavirus Response Act (FFCRA), enacted on March 18, 2020, provides certain employers with tax credits that reimburse them for the cost of providing paid sick and family leave wages to their employees for leave related to COVID-19. Qualified sick and family leave wages and the related credits for qualified sick and family leave wages are only reported on employment tax returns with respect to wages paid for leave taken in quarters beginning after March 31, 2020, and before January 1, 2021, unless extended by future legislation. If you paid qualified sick and family leave wages in 2021 for 2020 leave, you will claim the credit on your 2021 employment tax return. For more information about the credit for qualified sick and family leave wages, and to see if future legislation extends the dates that the credit may be claimed, go to [IRS.gov/PLC](https://www.irs.gov/PLC). Also check the Recent Developments section on [IRS.gov/Form941](https://www.irs.gov/Form941) or [IRS.gov/Form944](https://www.irs.gov/Form944).
- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, provides eligible employers with an employee retention tax credit if they keep employees on their payroll, despite experiencing economic hardship related to COVID-19. The employee retention credit is claimed on your employment tax return. The employee retention credit is only reported on employment tax returns with respect to qualified wages paid to employees between March 13, 2020, and December 31, 2020, unless extended by future legislation. For more information about the employee retention credit, and to see if future legislation extends the dates that the credit may be claimed, go to [IRS.gov/ERC](https://www.irs.gov/ERC). Also check the Recent Developments section on [IRS.gov/Form941](https://www.irs.gov/Form941) or [IRS.gov/Form944](https://www.irs.gov/Form944).
- The CARES Act also allows employers to defer the deposit and payment of the employer share of social security taxes. The deferred amount is reported on your employment tax return. The deferred amount of the employer share of social security tax is only available for deposits due on or after March 27, 2020, and before January 1, 2021, as well as deposits and payments due after January 1, 2021, that are required for wages paid on or after March 27, 2020, and before January 1, 2021. One-half of the employer share of social security tax is due by December 31, 2021, and the remainder is due by December 31, 2022. For more information about the deferral of employment tax deposits, go to [IRS.gov/ETD](https://www.irs.gov/ETD) and see the instructions for Form 941 or Form 944, available at [IRS.gov/Form941](https://www.irs.gov/Form941) and [IRS.gov/Form944](https://www.irs.gov/Form944), respectively.
- The Presidential Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, issued on August 8, 2020, directs the Secretary of the Treasury to defer the withholding, deposit, and payment of the employee share of social security tax on wages paid during the period from September 1, 2020, through December 31, 2020. The deferral of the withholding and payment of the employee share of social security tax is available for employees whose social security wages paid for a biweekly pay period are less than \$4,000, or the equivalent threshold amount for other pay periods. The due date for the withholding and payment of the employee share of social security

tax is postponed until the period beginning on January 1, 2021, and ending on April 30, 2021. For more information about the deferral of employee social security tax, see Notice 2020-65, 2020-38 I.R.B. 567, available at [IRS.gov/irb/2020-38_IRB#NOT-2020-65](https://www.irs.gov/irb/2020-38_IRB#NOT-2020-65), and see the instructions for Form 941 or Form 944. For information about how to report the deferred amount of the employee share of social security tax on Form W-2 and Form W-2c for 2020, see [IRS.gov/FormW2](https://www.irs.gov/FormW2) and the 2021 General Instructions for Forms W-2 and W-3 (available in early 2021)

Disaster tax relief

Disaster tax relief is available for those impacted by disasters. For more information about disaster relief, go to [IRS.gov/DisasterTaxRelief](https://www.irs.gov/DisasterTaxRelief). (*IRS Pub. 15, (Circular E), Employer's Tax Guide, for Use in 2021.*)