



Duckworth, Durbin Join Van Hollen in Bipartisan Push for Answers on Administration's Implementation of the Payroll Tax Deferral for Federal Employees,

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WASHINGTON, D.C. – U.S. Senators Tammy Duckworth (D-IL) and Dick Durbin (D-IL) today joined U.S. Senator Chris Van Hollen (D-MD) and 20 of their Senate colleagues in sending a letter to Treasury Secretary Steven Mnuchin and Office of Management and Budget Director Russell Vought urging them to make the payroll tax deferral outlined by President Trump last month optional for federal employees and servicemembers. In their letter the Senators also push for answers on how the Administration plans to implement this deferral.

“We urge you to let federal workers and uniformed servicemembers choose whether to defer their payroll tax obligations under IRS Notice 2020-65, rather than forcing them to participate” the Senators wrote. “Federal workers and servicemembers should not be used as pawns for a payroll tax scheme that many private sector employers are unlikely to join and where key questions remain unanswered.”

They go on to highlight several unanswered questions on the tax deferral, writing, “Federal employees and servicemembers lack basic information about how agencies will implement the payroll tax deferral.”

The Senators urged Secretary Mnuchin and Director Vought to clarify these key details before the deferral begins on or around September 18.

In addition to Senators Duckworth, Durbin and Van Hollen, the letter is signed by U.S. Senators Susan Collins (R-ME), Chuck Schumer (D-NY), Tim Kaine (D-VA), Sherrod

Brown (D-OH), Tammy Baldwin (D-WI), Elizabeth Warren (D-MA), Jeff Merkley (D-OR), Ben Cardin (D-MD), Sheldon Whitehouse (D-RI), Richard Blumenthal (D-CT), Bernie Sanders (I-VT), Ron Wyden (D-OR), Angus King (I-ME), Tom Carper (D-DE), Patty Murray (D-WA), Mazie Hirono (D-HI), Jack Reed (D-RI), Mark Warner (D-VA), Kyrsten Sinema (D-AZ) and Amy Klobuchar (D-MN).

Full text of the letter is available [here](#) and below.

Dear Secretary Mnuchin and Director Vought,

We urge you to let federal workers and uniformed service members choose whether to defer their payroll tax obligations under IRS Notice 2020-65, rather than forcing them to participate. Federal workers and service members should not be used as pawns for a payroll tax scheme that many private sector employers are unlikely to join and where key questions remain unanswered.

While some federal employees may want to defer their payroll tax payments, unions representing federal workers have made clear that many others do not. IRS Notice 2020-65 does not answer many key questions, but KPMG concludes that it “appears” to give employers the option to, “Permit deferrals only at the employee’s election.” PwC states that employers may want to provide this option to their workers, noting that, “The reduced take-home pay in early 2021 as a result of the additional withholding for the deferred Social Security tax may make some employees not want to participate in the deferral, even if their employer opts in.”

Federal employees and service members lack basic information about how agencies will implement the payroll tax deferral. In addition to clarifying whether federal employees will be forced to participate, please answer the following questions:

1. If an employee or service member separates from their job prior to repaying deferred payroll taxes in their 2021 withholdings, will their employing agency or the IRS seek to collect unpaid payroll taxes from that employee? If so, how will they do so?
1. Please provide us with a cost estimate for federal agencies to pay the employee payroll taxes that they are unable to withhold or otherwise recoup as a result of the deferral.
1. How will federal agencies communicate key information about the payroll tax deferral to their workers, particularly regarding the reduction in take-home pay in 2021? As KPMG stresses, “It is important to manage employee expectations and keep employees informed of their obligations prior to making the election to defer.”

Reports indicate that federal employee paychecks may be affected by the payroll tax deferral on or around September 18. Please respond to these questions as soon as possible so that federal workers and service members have some clarity on these issues before their paychecks are changed.