



# Contra Costa County

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: September 22, 2020

Subject: Recommendation on President's Memorandum on Deferring Payroll Tax

## **RECOMMENDATION(S):**

ACKNOWLEDGE that the Auditor-Controller, County Administrator, and the County's labor partners recommend that the President's Executive Order allowing deferments of federal payroll taxes for qualifying individuals not be implemented and therefore DIRECT the Auditor-Controller not to implement deferrals.

## **FISCAL IMPACT:**

This is an administrative action with no fiscal impact.

## **BACKGROUND:**

On August 8, 2020 the President issued a memorandum on deferring certain payroll tax obligations in light of the ongoing COVID-19 disaster. In summary, the deferral is for the FICA portion of the Social Security Tax (6.2%) and is intended for employees whose bi-weekly wages are less than \$4,000 (or the equivalent amount with respect to other pay periods). After a thorough review of the memorandum and the subsequent guidance issued by the Internal Revenue Service (IRS), it would appear that for County of Contra Costa employees the negative consequences outstrip the positive.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

Action of Board On: **09/22/2020** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

## **VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Diane Burgis, District III Supervisor  
Karen Mitchoff, District IV Supervisor  
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: September 22, 2020

David Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance Director (925) 335-1023

By: June McHuen, Deputy



## BACKGROUND: (CONT'D)

### Pros:

- By deferring the payroll tax for the months of September through December of 2020, eligible employees would receive what amounts to a short term loan over the course of four months.

### Cons:

-Employees who defer their payroll tax contributions for the months of September through December of 2020 will be required to pay twice their normal payroll tax contribution amounts for the months of January through April of 2021. This double tax deduction would result in extreme financial hardship for many employees. This hardship would be compounded by the fact that the deferral only applies to employees earning less than \$4,000 per bi-weekly pay, which could include employees with relatively less income and tighter budgets.

-Employees who defer their payroll taxes would not have the option for a convenient repayment schedule. IRS guidance indicates that all owed taxes must be repaid before May 1, 2021 in order to avoid interest and penalties.

-Employees who are absent without pay (AWOP) or separate from the County during the first four months of 2021 would be unable to pay back the deferred payroll taxes through the normal means. IRS guidance indicates that employers should make arrangements with employees if they separate from employment during the repayment period, which is not a practical solution for the County.

-Although the County would attempt to educate employees on the negative consequences of the payroll tax deferral, if provided the option to defer, it is inevitable that a significant portion of employees who choose to defer their payroll taxes would not fully understand the negative implications outlined above. This situation would result in frustration and financial hardship for County employees.

-The deferral would require re-programing our payroll system, which we anticipate would take several weeks making implementation impractical.

County labor staff discussed the issue with our labor partners and the Auditor-Controller and a consensus was reached regarding not implementing the deferral in Contra Costa.