

State rejects Trump's tax deferral program

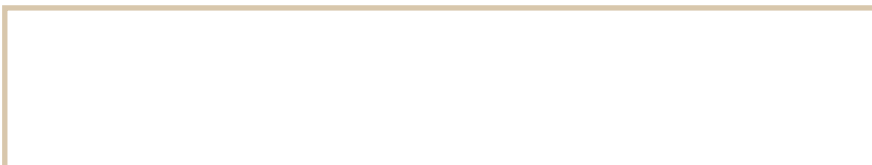
State Employees would owe the taxes next year



On August 8, 2020, President Donald Trump issued a [Presidential Memorandum](#) directing the IRS to allow the deferral of withholding, deposit, and payment of payroll tax obligations for certain employees effective September 1, 2020. The order came when Congress and the White House hit an impasse over the next Federal stimulus package. Essentially, Trump issued an executive order to give workers a tax holiday. Whether the taxes would be forgivable or due later remained questionable, thus delaying guidance on implementation.

IRS guidance provided August 28, 2020, clarified that Trump did not have the power to waive workers' taxes. Only Congress has the power to waive taxes. The IRS also made employer participation in the tax deferral program optional. As an employer, the State of California has determined not to participate in the tax deferral program.

"After evaluation and consideration of the IRS guidance, the Administration is concerned that while the employer withholding obligation would be deferred in 2020, employees would experience a double withholding in 2021 to recover the taxes due," wrote CalHR. "Further, if an employee separates from state service before the deferred tax was collected, the state may be required to pay the tax from state funds. For these reasons, the Administration has determined the program will not be implemented for State of California employees."



September 3, 2020