

PAYROLL TAXES DEFERRAL FOR SEPTEMBER 2020 TO DECEMBER 31ST 2020

YOUR FEDERAL EMPLOYEE PAYCHECK IS LIKELY GOING TO BE BIGGER FOR THE MONTHS OF SEPTEMBER THROUGH DECEMBER 2020, DUE TO A PAYROLL TAX DEFERRAL. HERE'S HELP...

3 Easy METHODS to Arrive at Temporary Spendable Increase

- Refer to your Last Pay Statement or LES (**Easiest by far!**)
- Just Simply use a 6.2 Rule of Thumb
- Use an Online Salary Calculator Designed to Compute Payroll Taxes

LES - Remarks Section

Leave and Earnings Statement

- ✓ This is the typical Remarks Section of the Leave and Earning Statements (LES) . It may vary according to service and deferral agencies.
- ✓ This LES clearly and easily shows that the "Social Security Taxes paid this pay period was \$119.73."

Social Security this pay period is \$119.73

REMARKS:			
BROUGHT FWD Entitlements	.00		
Basic Pay	1,931.10		
BAH Partial	7.80	+	
BAS (Monthly)	369.39		
Total	2,308.29		
Deductions			
SGLI \$400,000	28.00	+	
TSGLI	1.00		
Fed Tax	178.89		
Social Security	119.73		
Medicare	28.00		
State Tax	35.72	+	
TSP Roth	96.56	+	
USN/MC Ret Home	0.50		
Charity Allotment	5.00		NMCRS Contribution
Savings Allotment	100.00		Navy Federal Credit Union
Total	593.40		
Payments			
Regular Payment	857.45		20180215
Regular Payment	857.44		20180228
Total	1,714.89	+	
Benefits paid by the Marine Corps for you			
TSP Auto	19.31	+	YTD 19.31
TSP Matching	77.24		77.24
CARRIED FWD	.00		
** RETIREMENT PLAN REFLECTS: BRS			

Typical Pay Statement

Fed OASD this pay period is \$187.40

✓ This is the typical “Employer Cost of Benefits” (ECB) section of Federal Employees Pay Statement who do not get a LES. This ECB clearly and easily shows that the “Social Security Taxes (Fed OASD) paid this pay period was \$187.40

EMPLOYER COST OF BENEFITS		
<u>Description</u>	<u>Current</u>	<u>YTD</u>
Aetna Choice POS II	201.02	3,015.30
Aetna US Health Care Dental	10.48	157.20
Unicare Standard Life	6.75	97.41
Unicare Standard Life*	14.35	191.01
401(k)	159.94	2,478.39
Fed Med/ER	43.82	680.02
Fed OASDI/ER	187.40	2,907.68

Rule of Thumb –(E5)

The Riveras	$\$2,804.40 \text{ times } 6.2\% = \173.87
<ul style="list-style-type: none">✓ Sgt Rivera (E5) with 4 ½ years of service is married with two children. Single income household of \$2,804.40 (Gross) month.	<ul style="list-style-type: none">✓ The Social Security tax (aka OASDI) 6.2% withholding taxes are approximately \$173.87 monthly or \$86.94 per pay period.✓ Spending Strategy: The Riveras agree to use this monthly increase starting in September to December to make double payments on their car loan. This strategy also protects their credit score as well as free up cash flow in the coming months in anticipation of increases in their Social Security tax (aka OASDI) 6.2% withholding.

Rule of Thumb –(O-3)

Captain Wilson(s)

\$12,255.60 times 6.2% = \$759.85

✓ Captain Sam Wilson with 6 ½ years of service is married to Captain Maria Wilson with almost 7 years of service (Dual Military Family). Dual (Gross) Household income of Income of \$12,255.60. (Gross Income of \$6,127.80 month each). They have 2 children at home under 14 years old.

✓ The Social Security tax (aka OASDI) 6.2% withholding taxes are approximately \$759.85 monthly or \$379.92 per pay period in total for both of them.

✓ **Spending Strategy:** The Wilsons agree to use this monthly increase starting in September to December to make to pay off department store credit card debt of approximately \$5,345.78. This frees up cash flow of \$547 dollars a month committed to pay off cards with average interest rates of 28%. This strategy also protects their credit score as well as free up cash flow to handle any increase in taxes

PayCheck Calculator

Here we enter Biweekly Salary and other basic info for Captain Wilson

Simple Paycheck Calculator

General Information

Total Earning / Salary

State

Pay Cycle

Marital status

Number of Qualifying Children under Age 17

Here's your Results:

Biweekly Spendable Increase:
\$189,96

Both Captains' Biweekly
Spendable Increase would
total: \$379.92

Simple Paycheck Calculator

General Information

Check Date: 09/04/2020, State: VA

Salary	\$3,063.90
Pre-tax Deductions (401k, IRA, etc.)	\$300.00
Federal Income Tax	\$35.21
Social Security Tax ?	\$189.96
Medicare Tax ?	\$44.43
State Income Tax	\$137.01
Net Pay	\$2,357.29

Estimates only. Register for accurate calculation of payroll taxes, create employee checks, and timely payroll tax filing and reporting.

Saving Strategy



- Set aside the additional amount each pay period in a separate saving account at your bank or credit union, and then use that to pay back your taxes when they come due. A bonus is that you can keep the interest earned on the money!. If you don't have the money readily available, by some estimates, you will have to double your regular payroll tax rate during the first four months of 2021 to cover the amount. Additionally, it is possible that if you do not pay it back in full, you will then have to pay interest and penalties.
- Just save the 6.2% OASDI tax. Check your latest LES or Pay Statement paycheck to see how much Social Security (OASDI) tax is usually deducted from your earnings, to know how much to set aside.

Just a Few Reminders Here:



- It is very important to note that this deferral does not affect the employee portion of Medicare.
- Private employers (Civilian Sector) have the option to offer the deferral to employees. It is not mandatory. Non-Military spouses may not have this option.
- This deferral of the employee portion of OASDI (6.2%) represent the employee portion of social security tax payments from September 1, 2020, through December 31, 2020, with the deferred payroll taxes to be repaid from January 1, 2021, through April 30, 2021.
- PFMP does not prepare taxes or give tax advice.