

Soldiers, civilians to repay tax deferments through December 2021

By Thomas Brading, Army News Service 02 January 2021



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WASHINGTON -- The Defense Finance and Accounting Service is planning to extend payroll collections for Soldiers and Army civilians through December 2021 to reimburse a tax deferral designed to support personnel during the COVID-19 pandemic, officials said.

A presidential memorandum signed in August temporarily paused a portion of Social Security, called Old Age, Survivors, and Disability Insurance, or OASDI, tax currently set at 6.2% of an individual's base pay from Sept. 1 to Dec. 31.

The payroll tax deferral was intended to provide financial relief to both civilian employees who make less than \$4,000 per pay period and service members with a monthly basic pay of less than \$8,666.66, according to DFAS.

“This is a two-phase approach,” said Larry Lock, chief of compensation and entitlements with the Army’s G-1 office. “The first phase focused on advising that taxes would be deferred. Now, we’re going into the second phase, which is focusing on the collection [of money] and advising members on how we will proceed with collecting it.”

To recoup funds, service members and civilians will pay the deferred 2020 Social Security tax as well as the normal 6.2% Social Security tax withholdings, said Michelle O. Francois, acting chief of the G-1’s Civilian Personnel Benefits and Compensation Division.

Soldiers and civilians were unable to opt-out of the original deferral, and will be unable to opt-into any payment plan other than what is in motion, Lock said.

To account for the additional taxes, he urges members to plan now by calculating the amount of Social Security taxes deferred during this calendar year. To determine the amount owed, personnel should:

- Log into the myPay website and navigate to the final 2020 leave and earning statement.
- Multiply 6.2% times the amount of basic pay received from September through December 2020.

“We are counting on Soldiers to take the responsibility of looking at their LES,” he said.

Once 2020 W-2s post in January, only the total FICA taxes currently collected will be available. However, once the back taxes are repaid, personnel should expect a W-2c, the Corrected Wages and Tax Statement, which will include the collection of the owed amount. This will not change the deadlines established by the Internal Revenue Service for filing income tax returns next year.

The automated payback system isn’t “one-size-fits-all,” said Lock, adding that the amount owed could fluctuate for recently separated or retired personnel.

All members will still be required to repay their deferred tax amount in full. Under this circumstance, the government will reimburse the taxes to the IRS on their behalf, Lock said.

If the taxes are not subtracted from their last check, the member “will

receive a debt notice with instructions on repayment information" from DFAS, he added.

Under these circumstances, the collection will happen through a debt management process and a letter will be sent to the individual's address of record and posted through the myPay website in January.

The letter will outline instructions for repayment to be made via pay.gov

According to Lock, individuals who entered military service during the deferred period will end up repaying for less, depending on their entry date. The total amount will still be spread evenly through the next calendar year.

"If there are any future changes, we will have to take a look at it and respond accordingly," Francois said.