**SOCIAL SECURITY PAYROLL TAX WITHHOLDING PAYBACK**

What does this REALLY mean for our U.S. Army Reserve Soldiers and Department of the Army Civilians?

**FOR SOLDIERS** making less than $8,666.66 per month — If you received extra money in your September-December 2020 pay due to DFAS not withholding "FICA SGC SECURITY" on your LES:

For active duty military members, the 2020 deferred Social Security taxes will be collected in 24 installments, from your mid-month and end-of-month pay between January 1 and December 30, 2021. For Army Reserve Soldiers performing intermittent duty in 2021, the amount collected may not be the same every pay period. DFAS will collect 2% of net available from each weekly, mid-month and end-of-month pay, and will continue until the deferred taxes have been repaid in full. Beginning in January 2021, your LES within myPay will reflect the monthly collection amount and contain a note in the remarks section that shows the remaining balance of deferred Social Security taxes.

If you would like to calculate the amount of repayment, you can multiply your basic pay received in any given month by 0.062 (6.2%) to calculate your social security tax liability for that month. Repeat this each month, September through December, to determine the total amount of deferred taxes that will be collected in 2021. See the paragraph above to determine the rate of repayment (24 month vs. 2% net). Note: If you made Montgomery GI Bill (MGIB) contributions, your social security tax liability is reduced and is calculated slightly different.

An example of each calculation (without MGIB contributions and with MGIB contributions) is outlined below:

**FULL MONTH DUTY WITHOUT MGIB CONTRIBUTION (E5 WITH 8 YEARS OF SERVICE)**

- Monthly Rate of Basic Pay $3,066.30
- Wages Subject to Social Security Tax Withholding $3,066.30
- $3,066.30 x 0.062 $190.99
- Social Security Deferred Taxes $204.99

**PARTIAL MONTH DUTY WITHOUT MGIB CONTRIBUTION (E5 WITH 8 YEARS OF SERVICE)**

- Monthly Rate of Basic Pay $3,066.30
- 1 Days 30
- $110.21
- Number of Days Served 7
- Daily Rate of Basic Pay $110.21
- Wages Subject to Social Security Tax Withholding $771.47
- $771.47 x 0.062 $47.83
- Social Security Deferred Taxes $84.83

**FULL MONTH DUTY WITHOUT MGIB CONTRIBUTION (E1)**

- Monthly Rate of Basic Pay $1,733.10
- MGB Contribution* $100
- Wages Subject to Social Security Tax Withholding $1,633.10
- $1,633.10 x 0.062 $101.25
- Social Security Deferred Taxes $101.25

*E1 performs full month of duty and contributes $100 to MGIB; wages subject to Social Security tax are reduced by $100.

**FOR CIVILIANS** making less than $4,000 per pay period — If you received extra money in your September-December 2020 pay due to DFAS not withholding OASDI (Old Age, Survivors, and Disability Insurance) on your LES:

The amount of Social Security taxes deferred in 2020 will be collected in 24 installments between pay periods ending January 16 and December 4, 2021. Beginning in January 2021, your myPay LES Remarks section will include the 2020 deferred OASDI collection amount in that pay period, as well as the remaining balance to be collected.

If you separate or retire prior to the deferred Social Security tax being collected in full the unpaid balance will either be collected from your final pay or you may receive a debt letter with instructions for repayment.

The amount of OASDI deferred in 2020 can be calculated using your final 2020 LES in myPay by subtracting the OASDI year-to-date (deductions tab) from the OASDI year-to-date (benefits tab).

Also, beginning in January 2021, the Remarks section of your myPay LES will show the amount of 2020 deferred OASDI collected in that pay period, as well as the remaining balance to be collected.

How does a pay raise, promotion or step increase in 2020 impact the collected amount of Social Security (OASDI) deferred taxes in 2021?

If your pay rate increased in 2020, but your pay was still below the wage threshold for the deferral, the amount of deferred taxes increased along with the increase to your pay. If your pay increased in 2020 to exceed the wage threshold for deferral, then your taxes for the pay period(s) when your wages subject to OASDI exceeded the wage threshold were not deferred.

For example, if an individual received a promotion in November 2020 to $2,500 per pay period (still below the wage threshold for deferral), the amount of deferred tax would increase because the 6.2% Social Security tax would be calculated on higher wages for the remainder of 2020. However, if the promotion occurs in February 2021 there would be no impact on the amount of 2020 deferred taxes being collected in 2021.

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For more information, visit the DFAS website:

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**What’s going on?**

In order to provide relief during the COVID-19 pandemic, a Presidential Memorandum was issued on Aug. 8, 2020, to temporarily defer employees’ 6.2% Social Security tax withholdings if the monthly rate of basic pay is less than $8,666.66 for Soldiers and less than $4,000 per pay period for Civilians. If your rate of pay is at or above this threshold, your Social Security tax withholding will not be affected.

**How will this affect my 2020 and 2021 W-2?**

Your 2020 W-2 will be issued in January. Per IRS guidance, a Form W-2c (Corrected Wages and Tax Statement) for tax year 2020 will be issued for employees who have 2020 deferred Social Security taxes collected from wages during 2021. Note, a Form W-2c may not be required for service members who separated in 2020.

The issuance of this W-2c does not change the deadlines established by the IRS for filing your 2020 income tax returns.