



SOCIAL SECURITY

Payroll Tax Withholding Deferral

For members who had their 2020 Social Security taxes collected from their pay during 2021, here's what to expect for 2022.

KEY INFORMATION

In response to a Presidential Memorandum issued on August 8, 2020, Social Security tax withholdings were temporarily deferred for most service members from September through December 2020 and were to be collected back from wages paid between **January 1, 2021, and December 31, 2021**. The majority of collections were completed in 2021, however collections will continue in 2022 from some members who have not repaid their deferred taxes in full during 2021.

Military members can review the remarks section on their most recent Leave and Earnings Statement (LES) received in MyPay to identify whether they have a remaining balance.

MEMBERS WHO HAVE PAID IN FULL WILL RECEIVE A W-2C:

Members who repaid the full deferral during 2021 will receive a 2020 W-2C (Corrected Wage and Tax Statement) in January 2022 reflecting full withholding/payment of the employee's share of Social Security taxes in box 4 of the W-2. Per IRS guidance, no further steps are required if you had only one employer and your 2020 Form W-2C only shows a correction to box 4. Military members may consult with their tax preparer with any questions.

MEMBERS WHO HAVE NOT PAID IN FULL WILL CONTINUE TO REPAY IN 2022:

Reserve and National Guard

During 2021, the 2% collection rate of disposable pay for many Reserve and National Guard members did not result in full repayment of the 2020 deferred Social Security taxes for about half of these members due to the irregular and intermittent nature of their duty schedules.

In order to fulfill the DoD and members' legal responsibility to pay the employee's share of Social Security taxes in a timely fashion, the collection rate will increase to 10% of disposable pay from each payment received during 2022 until the deferred tax balance is repaid in full.

Active Duty

A very small subset of active duty military members will also owe a remaining deferred tax balance in 2022 as a result of periods of inactive pay status. For those members, the deferred Social Security taxes will also continue to be collected until paid in full.

Separating Members

Members who separated from the service in 2021 or will be separating in 2022 are still responsible for any remaining unpaid portion of the 2020 deferred Social Security taxes. The unpaid balance will either be collected from the member's final pay or the member will be provided a letter with instructions for repayment.

ADDITIONAL RESOURCES

IRS pages:

- Tax Deferral Implementation: <https://www.irs.gov/newsroom/guidance-issued-to-implement-presidential-memorandum-deferring-certain-employee-social-security-tax-withholding>
- W-2 Reporting: <https://www.irs.gov/forms-pubs/form-w-2-reporting-of-employee-social-security-tax-deferred-under-notice-2020-65>

Visit the DFAS Social Security Tax Deferral page: <https://www.dfas.mil/taxes/Social-Security-Deferral>

For more information on financial readiness:

- Service members and retirees may contact your nearest installation Military and Family Support Center.
- Contact Military OneSource at 800-342-9647 or visit <https://militaryonesource.mil> for financial counseling and tax consultation support **up to 365 days post separation and retirement**