

# AMERICAN PAYROLL ASSOCIATION

March 13, 2020

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
1236 Longworth House Office Building  
Washington, DC 20515

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
317 Russell Senate Office Building  
Washington, DC 20510

Re: Comments on a Payroll Tax Cut

Dear Representative Pelosi and Senator McConnell:

The American Payroll Association (APA) is offering information for your consideration on the practical implications of a payroll tax cut. APA supports Congress' efforts to provide healthcare and financial relief to address COVID-19 but we are concerned about the administrative feasibility of a proposed short-term payroll tax cut.

Depending on the complexity of the changes envisioned by a short-term tax cut (e.g., will it only apply to the taxes withheld from employees' pay or to the employer's matching share as well), it takes time to adjust systems, train staff, and notify employees. We estimate employers and their software developers and service providers may need three to six months to implement a payroll tax change. In addition, changes affecting the Social Security tax often require a longer lead time for orderly programming, testing, and implementation because of the extensive self-adjustment features built into payroll systems. For example, if Social Security and Medicare rates change (e.g., zero) with an effective date other than January 1, new data fields would be needed to track wages earned. Payroll tax changes also impact information reporting both to the Internal Revenue Service and Social Security Administration.

Payroll professionals also are concerned about short-term changes to payroll taxes, especially if the time frame is unknown because of the progression and containment issues associated with COVID-19. Payroll systems are designed for annual management based on federal and state tax laws. Short-term adjustments can create confusion around withholding and reporting requirements, leading to compliance issues. These adjustments may cost employers significant sums if they must implement multiple changes during the year. The burden will fall heavily while employers are already struggling to react to COVID-

19 with cancellation of activities, adjustments to business models, loss of revenue, and employee absences for sick leave or to care for children whose schools have been closed.

Again, APA supports Congress in taking relief measures to address COVID-19. We do not believe a short-term payroll tax cut would have an immediate impact as intended. APA would be pleased to discuss the payroll management implications with you further.

Sincerely,

A handwritten signature in cursive script that reads "Alice P. Jacobsohn".

Alice P. Jacobsohn, Esq.  
Senior Manager, Government Relations

### **About APA**

APA is a nonprofit association serving the interests of more than 20,000 payroll professionals nationwide. APA's primary mission is to educate its members and the payroll industry about the best practices associated with paying America's workers while complying with applicable federal, state, and local laws and regulations. APA members are directly responsible for calculating wages and tax withholding for their employers.