D-2640

 December 30, 2021

Memorandum

To: Federal Personnel and Payroll System (FPPS) User Group Representatives and Client Accounting Offices (CAO) (Excluding Judicial Agencies)

From: Christine Zertuche-Rocha, Chief //Signed for by Lisa J. Puente//

 Payroll Operations Division

Subject: Issuance of Debt Letters to Active Employees for Unpaid Social Security Tax Deferral

The Consolidated Appropriations Act of 2021 required shared service providers to create deductions from employees’ pay in repayment of the 2020 Social Security Tax deferral. Any repayment amount(s) unable to be deducted during 2021, due to non-pay status or insufficient pay was paid by the employee’s agency, which then became a debt owed to the agency.

Starting on January 1, 2022, the unpaid debt balance owed relating to the Social Security Tax deferral will begin to accrue interest and any applicable penalties, per [Internal Revenue Service Notice 201-11](https://www.irs.gov/pub/irs-drop/n-21-11.pdf). The Debt Collection Act allows employees to be given 30 calendar days to make repayment as detailed below without incurring interest and penalty. As a reminder, these debts cannot be waived, canceled, or written-off per guidance from the Department of Treasury.

Starting January 18, 2022, the Payroll Operations Division (POD) Debt Management Branch (DMB) will start issuing debt letters for any unpaid deferred taxes amount owed to an agency.

The debt letters will state:

'A review of your payroll record was conducted, and it has been determined that you have an unpaid balance, owed to your employer, for the repayment of the 2020 payroll Social Security Tax deferral. As of January 1, 2022, this unpaid balance becomes a debt that must be repaid.'

For employees in pay status F, L, or M: Any lump sum payment(s) received on or before December 30, 2021, will be applied to the debt. If a remaining balance is still owed, a debt letter will be issued.

**Please review the following scenario to avoid paying interest and any applicable penalties:**

*Scenario 1 – Payment in full (avoids* *interest and penalties):*

Payment in full **must be** received no later than 25 calendar days from the date of the letter. POD will endeavor to process the payment prior to the 30 calendar days.

* Payment example: if the debt letter is issued on January 18, 2022, payment in full should be received no later than February 12, 2022.

**Please review the following scenarios incurring interest and any applicable penalties (uncommon) if payment is not received within 25 calendar days from the date of the letter the debt:**

*Scenario 1 - Repayment plan established:*

Employee must communicate with the point of contact listed on the debt letter within 30 calendar days. Deductions will be started the next pay period in which the repayment arrangement is made:

* Example: if a debt letter is issued on January 18, 2022, and an employee establishes a payment arrangement on February 1, 2022, deductions will begin in Pay Period (PP) 2022-04.

*Scenario 2 - No repayment plan established:*

If an employee does not establish a repayment plan within 30 calendar days of the debt letter, deductions will begin at 15% of their disposable pay starting the pay PP in which the 30th calendar day falls:

* Example: if the debt letter is issued on January 18, 2022, deductions will begin in PP 2022-05.

*Scenario 3 - Separated Employee:*

If an employee separates on or after January 18, 2022, the debt will be transferred to the agency for collections to be pursued under the agency’s normal debt collection process.

CAOs should be advised collections of these debts will be reflected on the labor cost or accounting feeder file (SSA only) with a pay code 61C (Federal Debt Recovery).

Please note *all* employees (debt letter or otherwise) will be issued a 2020 Form W-2C, Corrected Wage and Tax Statement. As the deferral is satisfied even if an agency repaid taxes on an employee’s behalf. The POD is targeting the second quarter of the calendar year 2022 to issue the 2020 Form W-2Cs. Please reference the [Payroll\_Tax-Deferral\_Repayment\_FAQs.pdf](https://ibc.doi.gov/sites/default/files/HRD/files/Payroll_Tax-Deferral_Repayment_FAQs.pdf) page 9, question 27: “How will the OASDI tax deferral affect the employee’s tax reporting?” for further guidance regarding tax re-file.

Questions can be directed to the contacts listed below:

* **FPPS User Group Representatives** should feel free to contact:
	+ John Castillo, Chief, Debt Management Branch, at 303-969-6340 or john\_a\_castillo@ibc.doi.gov
	+ Monica Kannady, Section Supervisor, Debt Management Branch, at 303-969-7187 or monica\_e\_kannady@ibc.doi.gov
	+ Joanna Taylor, Section Supervisor, Debt Management Branch, at 303-969-7305 or joanna\_taylor@ibc.doi.gov
* **Non-FPPS** **User Group Representatives** should direct questions to the IBC Customer Support Center at 720-673-9958 (interim contact number) or by email at payroll\_Helpdesk@ios.doi.gov