

December 28, 2011 [www.mcvpr.com](http://www.mcvpr.com)**TAX ALERT*****Employee Social Security Tax Withholding Rate Reduction Temporarily Extended into 2012***

On December 23, 2011, President Obama signed the Temporary Payroll Tax Cut Continuation Act of 2011 (the "Act") to temporarily extend the reduced employee Social Security tax withholding rate of 4.2% (the employer's rate remains at 6.2%) until February 29, 2012.<sup>1</sup> For calendar year 2012, the Act also establishes a recapture provision that imposes a tax equal to 2% of the sum of wages and compensation received during the period beginning January 1, 2012, and ending February 29, 2012, to the extent the amount of such sum exceeds \$18,350.

Shortly after the enactment of the Act, the IRS released [Publication IR-2011-124](#) which provides that employers should implement the new rate as soon as possible in 2012, but not later than January 31, 2012. It further provides that for any Social Security tax over-withheld during January, employers should make an offsetting adjustment as soon as possible, but not later than March 31, 2011. The IRS has also stated that it will issue additional guidance as needed, including revised employment tax forms and instructions and information for employees who may be subject to the new "recapture" provision.

If you have any questions or would like our assistance regarding this matter, you may contact any of the following members of our Tax Practice Group:

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<sup>1</sup> For calendar year 2011, the Social Security tax withholding rate was reduced with the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010. A copy of our Tax Alert (issued on December 22, 2010) regarding this matter is available [here](#).