



Sullivan's Foods
Corporate Headquarters

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From: Corporate Office

Date: 09/04/2020

Re: Payroll Tax Deferment

As you know, The IRS issued guidance of August 28 (Notice 2020-65) implementing a White House directive to defer certain employee payroll taxes. You may have questions on this, and we wanted to provide you information, so you are aware of how Sullivan's Foods is handling this.

This guidance postpones the due date for withholding the 6.2% employee share of Social Security tax on certain wages and compensation paid to employees from September 1, 2020 through December 31, 2020. This deferral requires employees to pay back the deferred Social Security tax between January 1, 2020 through April 30, 2021.

Sullivan's Foods will not participate in this voluntary payroll tax deferral.

Here is why:

- Deferred amounts would fluctuate from week to week based on total pay. This causes confusion and uncertainty in take home pay.
- Eligibility for deferral in one pay period would not indicate eligibility in the next pay period based on total hours worked, overtime, or any additional pay received. Here, too, this would cause confusion and uncertainty in take home pay from one pay period to the next.
- The deferred amounts must be repaid in the first four months of 2021. This may cause a financial burden as employee's payroll taxes may be doubled in those pay periods until the deferred amounts are paid back to the IRS.
- If an employee leaves before the amount is paid back to the IRS, the amount unpaid will be reflected on their W-2 and they will pay taxes on it (called imputed income).

We will continue to monitor updates to this guidance and notify employees of any changes