

## Payroll Tax Cut Extended through February 2012

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January 5, 2012

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President Obama has signed payroll tax cut legislation that temporarily extends the 4.2 percent Social Security payroll tax rate for individuals for wages paid through February 29, 2012. The Internal Revenue Service issued a statement that the new payroll tax rate should be implemented as soon as possible in 2012 but not later than January 31, 2012. Employers should make an offsetting adjustment in workers' pay as soon as possible, but not later than March 31, 2012 for any Social Security tax that may have been over-withheld during January. In addition, the law includes a new "recapture" provision that imposes a two percent tax on wages greater than \$18,350 (but no more than \$110,100) earned during the first two months of 2012. This additional tax is payable with the employee's 2012 tax return, and is not subject to reduction by tax credits or deductions. The full text of the new law is available [here](#) and the implementing IRS statement is available [here](#).