



National Payroll Reporting Consortium

PO Box 850, Henrietta, NY 14467-0850 ★ www.NPRC-Inc.org
Automatic Data Processing ★ Ceridian Corporation ★ CompuPay ★ Empower Software Solutions
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American Payroll Association

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202-232-6888 ★ www.AmericanPayroll.org

November 21, 2012

Representative Dave Camp
Chairman, Committee on Ways and Means.
United States House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Senator Max Baucus
Chairman, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Representative Sander Levin
Ranking Member, Committee on Ways and Means.
United States House of Representatives
1106 Longworth House Office Building
Washington D.C. 20515

Senator Orrin G. Hatch
Ranking Member, Senate Finance Committee
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Re: Payroll Tax Relief Proposals

Dear Chairman Camp, Chairman Baucus, Ranking Member Levin and Ranking Member Hatch:

The two percent social security tax holiday is scheduled to expire on December 31, 2012 at the same time as the expiration of other individual income tax provisions commonly referred to as the Bush tax cuts. It has been reported that some are advocating the extension of this payroll tax holiday if all or a portion of the Bush tax cuts are extended. This and other tax and budgetary proposals are to be considered during the remainder of the year in Congress.

The National Payroll Reporting Consortium (NPRC) and American Payroll Association (APA) regularly review and comment on proposed legislation that effects payroll administration. Our member organizations represent employers and payroll service providers that, combined, pay a substantial portion of tax dollars received annually by the U.S. Treasury. Payroll service providers have long served an important role in our nation's tax collection system as a conduit between employers and tax authorities, improving the efficiency of tax reporting and tax compliance. Consequently, it is our member organizations that will have to provide the administrative support to employers in order to make any potential changes to payroll withholding and/or reporting requirements work.

In past years members of NPRC and APA have met with staff at the Treasury Department and the Congressional tax writing committees to discuss payroll tax proposals under consideration and the impact of these proposals on employer payroll systems. Our members would offer constructive technical assistance in the development or modification of these proposals in order to minimize administrative burdens and complexities for employers and individual taxpayers and facilitate swift implementation of the changes proposed. We have worked with the Treasury and Congressional tax-writing committees in recent years concerning various proposals affecting withheld federal income and Social Security taxes,



such as the Making Work Pay credit; the Hiring Incentives to Restore Employment (HIRE) Act; the Tax Relief and Job Creation Act of 2010; the Temporary Payroll Tax Cut Continuation Act, and the Middle Class Tax Relief and Job Creation Act of 2012.

Our interest in any legislation to extend current tax relief is strictly policy-neutral; we offer no opinions about whether such an extension of tax relief or other stimulus measure is necessary or will bring about the suggested economic results. However, we would like the opportunity to collaborate with policy makers to ensure that any proposal is feasible and can be implemented by those affected with minimal cost, problems, and confusion for taxpayers, employers, and the government.

One important element for payroll administration is the lead time between the enactment of the legislation and the date that the payroll systems will have to start processing the payrolls that effect the change. In contrast to changes to income tax withholding calculations, changes affecting the Social Security tax often require a longer lead time for orderly programming, testing and implementation due to the extensive self-adjustment features built into payroll systems.

Depending on the nature of the changes (e.g., whether the change applies equally to all employers and/or employees that are currently subject to Social Security tax, or only to defined populations), it may take up to six months to implement a change. In addition, any Social Security tax change should have an effective date of January first, as payroll systems are generally designed to accommodate tax changes taking effect on such dates.

Some employers, software developers and service providers may have difficulties meeting implementation deadlines, depending on the complexity of the changes envisioned, which can lead to diverse experiences for taxpayers and increased work and cost for the IRS. It has also been helpful to software developers and service providers to understand any proposals under consideration as soon as possible.

We would welcome the opportunity to meet with your staff to offer constructive technical assistance on any proposals affecting withheld income and/or Social Security/Medicare taxes. Pete Isberg of NPRC can be reached at (909) 971-7670 or pete_isberg@nprc-inc.org and Brian O'Laughlin of the APA can be reached at (202) 232-6888 or bolaughlin@americanpayroll.org.

Sincerely,

A handwritten signature in blue ink, appearing to read "Pete Isberg".

Pete Isberg
President
National Payroll Reporting Consortium, Inc.
www.nprc-inc.org

A handwritten signature in black ink, appearing to read "Brian O'Laughlin".

Brian O'Laughlin, Esq.
Manager of Government Relations
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