



Eye On Washington Regulatory Update



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2018 Taxable Wage Base Increases By Less Than Earlier Pronouncement

On October 13, 2017 the Social Security Administration (SSA) announced that the 2018 Social Security wage base would be \$128,700, which was an increase of \$1,500 from \$127,200 in 2017.

On November 27, 2017, SSA published a press release stating the previously released 2018 figure of \$128,700 would be lowered to \$128,400.

The SSA stated that the decreased taxable maximum amount is due to corrected W-2s provided to the SSA in October 2017 which were not figured into the original 2018 wage base amount announced.

In its press release, the SSA stated in part as follows:

“Approximately 500,000 corrections for W-2s from 2016 resulted in changes for three items based on the national average wage: the 2018 taxable maximum, primary insurance amount bend points -- figures used in the computation of Social Security benefits -- and family maximum bend points. No other items based on national average wages were affected.”

Result of Change

The Federal Insurance Contributions Act (FICA) tax rate, which is the combined Social Security tax rate of 6.2% and the Medicare tax rate of 1.45%, will be 7.65% for 2018 up to the Social Security wage base. The maximum Social Security tax employees and employers will each pay in 2018 is \$7,960.80. This is an increase of \$74.40 from \$7,886.40 in 2017.

There is no limit to the wages subject to the Medicare tax; therefore all covered wages are still subject to the 1.45% tax. As in 2017, wages paid in excess of \$200,000 in 2018 will be subject to an extra 0.9% Medicare tax withholding that will only be withheld from employees' wages, as employers do not pay the extra tax.

The Social Security wage base for self-employed individuals in 2018 will also be \$128,400. There is no limit on covered self-employment income that will be subject to the Medicare tax. The self-employment tax rate will be 15.3% (combined Social Security tax rate of 12.4% and Medicare tax rate of 2.9%) up to the Social Security wage base. In 2018, the maximum Social Security tax for a self-employed individual will be \$15,921.60.

For a copy of the November 27, 2017 SSA press release, please click on the link provided below.

<https://www.ssa.gov/news/press/releases/#/post/11-2017-1>

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