

Subject: From APA – 2013 Social Security Wage Base Announced

AMERICAN PAYROLL ASSOCIATION Compliance Update

Social Security Wage Base Increases to \$113,700 in 2013

The Social Security Administration (SSA) announced on Tuesday, October 16, 2012, that the 2013 social security wage base will be \$113,700, an increase of \$3,600 from the 2012 wage base of \$110,100 (the SSA Fact Sheet is available at www.americanpayroll.org/members/Forms-Pubs/#annual). As in prior years, there is no limit to the wages subject to the Medicare tax; therefore all covered wages are still subject to the 1.45% tax. Wages paid in excess of \$200,000 in 2013 will be subject to an extra 0.9% Medicare tax that will only be withheld from employees' wages. Employers will not pay the extra tax.

The 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 2013 up to the social security wage base. The maximum social security tax employees and employers will each pay in 2013 is \$7,049.40. This will be an increase of \$2,425.20 for employees and \$223.20 for employers. Note that the 2012 FICA tax rate is 4.2% for employees and 6.2% for employers under the Middle Class Tax Relief and Job Creation Act of 2012, and that the rate is scheduled to be 6.2% for both employees and employers in 2013. However, bills currently being considered in Congress may change this.

The social security wage base for self-employed individuals in 2013 will also be \$113,700. 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 2013, the maximum social security tax for a self-employed individual will be \$14,098.80.

FICA coverage threshold for domestic, election workers

The threshold for coverage under social security and Medicare for domestic employees will be \$1,800 in 2013, unchanged from 2012; the coverage threshold for election workers will be \$1,600 in 2013, up from \$1,500 in 2012.

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