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LEGISLATIVE UPDATE

Eye on Washington

2014 SOCIAL SECURITY AND MEDICARE TAXABLE WAGE LIMITS AND RATES

On October 30, 2013, the Social Security Administration announced an upward cost-of-living adjustment for the Social Security taxable wage limit. For calendar year 2014, the amount of earnings taxable for Social Security (Old Age, Survivors and Disability Insurance, or "OASDI") will also increase from \$113,700 to \$117,000. The employee and employer tax rate will remain unchanged at 6.2%. With this increase in taxable wages, the maximum Social Security tax payable by an employee will be \$7,254.00, an increase of \$204.60 from the current maximum tax of \$7,049.40. Employers will match the employee's tax.

In 1993, the Omnibus Budget Reconciliation Act removed the taxable wage limit for the Medicare tax beginning in 1994 and years thereafter. Therefore, there is no maximum employee or employer contribution amount for Medicare tax for 2014. All covered wages will be subject to Medicare tax at a rate of 1.45%. Employers will match the employee's tax.

As of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly, \$125,000 for married couples filing separately, and \$200,000 for filing single) pay an additional 0.9% in Medicare taxes. For withholding tax purposes, covered wages in excess of \$200,000 will be taxed at a rate of 2.35% (1.45% + 0.9%), regardless of filing status. The Additional Medicare Tax is not matched by employers.

Depending on the amount of taxable wages, the combined Social Security and Medicare employee tax rate will range from 7.65% (6.20% + 1.45%) to 8.55% (6.2% + 1.45% + 0.9% on Medicare wages in excess of \$200,000 if the employee is a high-income earner). The combined employer rate will remain 7.65%.

For a copy of the Social Security Fact Sheet with the 2014 changes please click [here](#).

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