

Eye on Washington Regulatory Update



Social Security Wage Base for 2020 Announced

On October 10, 2019, the Social Security Administration (SSA) announced that the 2020 Social Security wage base will be \$137,700, which is an increase of \$4,800 from \$132,900 in 2019.

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 2019, wages paid in excess of \$200,000 in 2020 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 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 2020 up to the Social Security wage base. The maximum Social Security tax employees and employers will each pay in 2020 is \$8,537.40. This is an increase of \$297.60 from \$8,239.80 in 2019.

The Social Security wage base for self-employed individuals in 2020 will also be \$137,700. 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 2020, the maximum Social Security tax for a self-employed individual will be \$17,074.80.

For a copy of the SSA Fact Sheet, click on the link below:

<https://www.ssa.gov/news/press/factsheets/colafacts2020.pdf>

ADP Compliance Resources

ADP maintains a staff of dedicated professionals who carefully monitor federal and state legislative and regulatory measures affecting employment-related human resource, payroll, tax and benefits administration, and help ensure that ADP systems are updated as relevant laws evolve. For the latest on how federal and state tax law changes may impact your business, visit the ADP Eye on Washington Web page located at www.adp.com/regulatorynews.

ADP is committed to assisting businesses with increased compliance requirements resulting from rapidly evolving legislation. Our goal is to help minimize your administrative burden across the entire spectrum of employment-related payroll, tax, HR and benefits, so that you can focus on running your business. This information is provided as a courtesy to assist in your understanding of the impact of certain regulatory requirements and should not be construed as tax or legal advice. Such information is by nature subject to revision and may not be the most current information available. ADP encourages readers to consult with appropriate legal and/or tax advisors. Please be advised that calls to and from ADP may be monitored or recorded.

If you have any questions regarding our services, please call 855-466-0790.

