

# 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>

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