

## 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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