



IN THE BUSINESS OF YOUR SUCCESSSM

LEGISLATIVE UPDATE

Eye on Washington



SOCIAL SECURITY WAGE BASE INCREASES FOR 2012

On October 19, 2011, the Social Security Administration [announced](#) that the **2012 Social Security contribution and benefit base will be \$110,100**. This is \$3,300 more than the base of \$106,800 which has been in effect the last three years. The Social Security Old-Age, Survivors, and Disability Insurance (OASDI) program sets an annual maximum limit (called the contribution and benefit base) on the amount of earnings subject to the Social Security OASDI tax. Employers must deduct Social Security taxes from their employees' pay and contribute to Social Security taxes themselves on total OASDI-covered wages paid to each employee, up to the annual OASDI contribution limit. The OASDI limit typically changes each year with changes in the national average wage index.

In contrast to the OASDI limit, there is no limit to the wages subject to the Medicare tax. In 2012, all covered wages will remain subject to the 1.45% Medicare tax. Employees and employers must pay the Medicare tax based on total Medicare-covered wages.

The 2011 OASDI tax rate is 6.2% for employers and, as a result of the Tax Relief Act of 2010, 4.2% for employees. The 2012 OASDI tax rate for employees is scheduled to be 6.2%. However, there are various proposals currently under consideration in Congress which, if adopted, would reduce the OASDI rate for 2012 below 6.2%, for both employers and employees. If Congress takes no action, the 2012 OASDI rate will be 6.2% for employees and employers. Should the 2012 OASDI rate be 6.2% for employees and employers, the maximum Social Security tax each employee will pay and each employer will pay per employee is \$6,826.20. ADP will continue to closely monitor the various proposals in Congress that could affect Social Security taxes and will report any enacted variances to the 6.2% OASDI rate in future Eye on Washington editions.

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