

Taxes and Employee Benefits Department

November 11, 2016

Social Security Wage Base Increases to \$127,200 for 2017

The Social Security Administration (“SSA”) recently announced that the wage base for computing the Social Security's Old-Age, Survivors, and Disability Insurance, also known as the “Social Security Tax” (“OASDI”) in 2017 will increase to **\$127,200** (from \$118,500). The maximum amounts of wages that are subject to OASDI are adjusted each year by a formula based on cost of living increases. The same annual limit also applies when those earnings are used in a benefit computation.

The Federal Insurance Contributions Act (“FICA”) imposes two (2) taxes on employers, employees, and self-employed workers. The first of these taxes is the OASDI (described above), and the other is for Hospital Insurance, also known as the “Medicare Tax” (“MT”) (collectively referred to as “FICA Taxes”). As mentioned above, the OASDI has an annual limit of earnings subject to taxation for a given year. However, the MT does not have a limit and is payable on all income. Furthermore, in the case of single individuals that earn wages in excess of \$200,000 (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return) there is an additional MT of 0.9% (“Additional MT”).

The tax burden of FICA Taxes is equally shared between employers and employees. Therefore, for 2017 employers and employees will generally have to pay a combined 7.65% (6.20% OASDI and 1.45% MT) on the wages subject to taxation. In the case of self-employed persons the OASDI tax is 12.40% and MT is 2.90%, for a total of 15.30%.

For 2017 employees will pay FICA Taxes as follows:

- 6.20% of OASDI on the first \$127,200 of wages, capped at \$7,886.40 (6.20% of \$127,200), plus
- 1.45% of MT on the first \$200,000 of wages in the case of individuals filing as single (\$250,000 for those filing joint returns; and \$125,000 for individuals that are married taxpayers and filing a separate returns), plus
- 2.35% (1.45% of MT and 0.9% Additional MT) on wages in excess of \$200,000 in the case of individuals filing as single (\$250,000 for those filing joint returns; and \$125,000 for individuals that are married taxpayers and filing separate returns).

For 2017 Self-Employed Persons will pay as follows:

- 12.40% of OASDI on the first \$127,200 of self-employment income, capped at \$15,772.80 (12.40% of \$127,200); plus
- 2.90% of MT on the first \$200,000 of wages in the case of individuals filing as single (\$250,000 for those filing joint returns; and \$125,000 for individuals that are married taxpayers and filing a separate returns), plus
- 3.80% (2.90% of MT and 0.9% Additional MT) on wages in excess of \$200,000 in the case of individuals filing as single (\$250,000 for those filing joint returns; and \$125,000 for individuals that are married taxpayers and filing separate returns).

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