

Social Security Wage Cap and Benefit Amounts Increase for 2019

Wage Cap for Social Security Tax

For 2019, the Social Security wage cap will be \$132,900, and social security and Supplemental Security Income (SSI) benefits will increase by 2.8 percent. These changes reflect cost-of-living adjustments to account for inflation.

For regular employees and their employer, the Federal Insurance Contributions Act (FICA) tax on wages remains the same at 7.65 percent. The FICA tax has two components:

- a 6.2 percent social security tax, also known as old age, survivors and disability insurance (OASDI); and
- a 1.45 percent Medicare tax, also known as hospital insurance (HI).

For self-employed workers, taxed under the Self-Employment Contribution Act (SECA) the tax is 15.3 percent, consisting of:

- a 12.4 percent OASDI tax; and
- a 2.9 percent HI tax.

OASDI tax applies only up to a wage base, which includes most wages and self-employment income up to the annual wage cap. With the 2019 wage base set to be \$132,900, employees and employers do not pay any OASDI tax on earnings that exceed \$132,900. There is no wage cap for HI tax.

Maximum Social Security Tax for 2019

For workers who earn \$132,900 or more in 2019:

- an employee will pay a total of \$8,239.80 in social security tax ($\$132,900 \times 6.2$ percent);
- the employer will pay the same amount; and
- a self-employed worker will pay a total of \$16,479.60 in social security tax ($\$132,900 \times 12.4$ percent).

Additional Medicare Tax

Higher-income workers may have to pay an additional Medicare tax of 0.9 percent. This tax applies to wages and self-employment income that exceed:

- \$250,000 for married taxpayers who file a joint return;
- \$125,000 for married taxpayers who file separate returns; and
- \$200,000 for other taxpayers.

The annual wage cap does not affect the Additional Medicare tax.

Benefit Increase for 2019

Finally, a cost-of-living adjustment (COLA) will increase social security and SSI benefits paid out in 2019 by 2.8 percent.

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