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Federal Taxes Weekly Alert,

## Social Security wage base increases to \$117,000 for 2014

### Social Security News Release, 10/30/2013

The Social Security Administration has announced that the wage base for computing the Social Security tax (OASDI) in 2014 increases to \$117,000 from \$113,700, which was the wage base for 2013. The \$3,300 increase, which is about 2.9%, is due to an increase in average total wages.

The Federal Insurance Contributions Act (FICA) imposes two taxes on employers, employees, and self-employed workers—one for Old Age, Survivors and Disability Insurance (OASDI; commonly known as the Social Security tax), and the other for Hospital Insurance (HI; commonly known as the Medicare tax).

For 2014, the FICA tax rate for employers is 7.65% each—6.2% for OASDI and 1.45% for HI. For 2014, an employee pays:

- (a) 6.2% Social Security tax on the first \$117,000 of wages (maximum tax is \$7,254.00 [6.2% of \$117,000]), plus
- (b) 1.45% Medicare tax on the first \$200,000 of wages (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return), plus
- (c) 2.35% Medicare tax (regular 1.45% Medicare tax + 0.9% additional Medicare tax) on all wages in excess of \$200,000 (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return). ( [Code Sec. 3101\(b\)\(2\)](#) )

For 2014, the self-employment tax imposed on self-employed people is:

- 12.4% OASDI on the first \$117,000 of self-employment income, for a maximum tax of \$14,508.00 (12.40% of \$117,000); plus
- 2.90% Medicare tax on the first \$200,000 of self-employment income (\$250,000 of combined self-employment income on a joint return, \$125,000 on a separate return), ( [Code Sec. 1401\(a\)](#) , [Code Sec. 1401\(b\)](#) ), plus
- 3.8% (2.90% regular Medicare tax + 0.9% additional Medicare tax) on all self-employment

income in excess of \$200,000 (\$250,000 of combined self-employment income on a joint return, \$125,000 for married taxpayers filing a separate return). ( [Code Sec. 1401\(b\)\(2\)](#) )

There is a maximum amount of compensation subject to the OASDI tax, but no maximum for HI.



**RIA illustration :** On a salary of \$117,000 (or more), an employee and his employer each will pay \$7,254.00 in Social Security tax in 2014.



**RIA illustration :** A self-employed person with at least \$117,000 in net self-employment earnings will pay \$14,508.00 for the Social Security part of the self-employment tax in 2014.



**RIA observation:** Self-employed workers deduct half of their self-employment tax above-the-line in arriving at adjusted gross income.

**References:** For FICA tax, see [FTC 2d/FIN ¶ H-4545](#) ; [United States Tax Reporter ¶ 31,114](#) ; [TaxDesk ¶ 541,001](#) ; [TG ¶ 9500](#) .