



Comprehensive Services



Newsletter

Alert

Tip of the Week

October 20, 2011

# Payroll Alert

## ■ Social Security Wage Base Increases to \$110,100 in 2012

The Social Security Administration (SSA) has announced the 2012 social security taxable wage base will be \$110,100 up from \$106,800. As in prior years, there is no limit to the wages subject to the Medicare tax.

The social security tax rate is set at 6.2% and the Medicare tax rate is set at 1.45% for a total FICA tax rate of 7.65%. The maximum social security tax employees and employers will each pay is \$6,826.20 in 2012.

Please note during 2011 the social security tax rate was 4.2% for employees and 6.2% for employers under the Tax Relief Act of 2010 and is scheduled to return to 6.2% for both in 2012.

The social security taxable wage base for self-employed individuals will also be \$110,100 for 2012. There is no limit on self-employed income subject to the Medicare tax. The combined tax rate for self-employed individuals will be 15.3% (social security tax rate of 12.4% and Medicare tax rate of 2.9%). The maximum social security tax for a self-employed individual will be \$13,652.40.

The 2012 FICA coverage threshold for domestic employees will be \$1,800 and for election workers will be \$1,500.

Please note there are bills currently being considered in Congress that may change the above information.

**Best regards,**

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