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Social Security Wage Base Remains at \$106,800 in 2011

The Social Security Administration (SSA) announced on Friday, October 15, 2010, that the 2011 social security wage base will be \$106,800, unchanged from 2010 and 2009 (the SSA Fact Sheet is available at www.americanpayroll.org/members/Forms-Pubs/#guide). As in prior years, there is no limit to the wages subject to the Medicare tax; therefore all covered wages are still subject to the 1.45% tax.

The FICA tax rate, which is the combined social security tax rate of 6.2% and the Medicare tax rate of 1.45%, remains at 7.65% for 2011. The maximum social security tax employees and employers will each pay in 2011 is \$6,621.60. This is unchanged from the 2010 maximum.

The social security wage base for self-employed individuals in 2011 will also be \$106,800. There is no limit on covered self-employment income that will be subject to the Medicare tax. The self-employment tax rate remains 15.3% (combined social security tax rate of 12.4% and Medicare tax rate of 2.9%). In 2011, the maximum social security tax for a self-employed individual will be \$13,243.20. This is unchanged from the 2010 maximum.

Quarters of coverage; retirement earnings test

The SSA has also announced that the amount of earnings needed to qualify for a quarter of coverage in order to receive full social security benefits will be \$1,120 in 2011, unchanged from 2010.

Retirees who will not reach full retirement age in 2011 can earn up to \$14,160 a year (\$1,180 a month) without losing any benefits, unchanged from 2010; for these retirees, \$1 in benefits will be withheld for every \$2 in earnings above the applicable limit.

Retirees who reach full retirement age in 2011 will lose \$1 in benefits for every \$3 earned above \$37,680, unchanged from 2010, but only counting earnings before the month they reach full retirement age. Starting with the month retirees reach full retirement age, they will receive full benefits with no limit on earnings.

REMINDER – For retirees born in 1937 or earlier, “full retirement age” is 65. Note, however, that full retirement age gradually increases for retirees born thereafter – from 65 and 2 months (for retirees born in 1938) to 67 (for those born in 1960 and later). To find your full retirement age, go to www.socialsecurity.gov/retire2/agereduction.htm.

Social security benefits

As this article went to press, SSA had not yet released information on the maximum monthly social security benefit a worker could get after retiring at full retirement age in January 2011. Current social security benefit recipients will not automatically receive a cost-of-living adjustment in their benefits in January.

FICA coverage threshold unchanged for domestic, election workers

The threshold for coverage under social security and Medicare for domestic employees will be \$1,700 in 2011, unchanged from 2010; the coverage threshold for election workers will be \$1,500 in 2011, also unchanged from 2010.