

## AMERICAN PAYROLL ASSOCIATION Compliance Update

### **Social Security Wage Base Rises to \$106,800 in 2009**

The Social Security Administration (SSA) announced on Thursday, October 16, 2008, that the 2009 social security wage base will be \$106,800, an increase of \$4,800 from the 2008 wage base of \$102,000. 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 2009. The maximum social security tax employees and employers will each pay in 2009 is \$6,621.60. This is an increase of \$297.60 from the 2008 maximum of \$6,324.00.

The social security wage base for self-employed individuals in 2009 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 2009, the maximum social security tax for a self-employed individual will be \$13,243.20. This is an increase of \$595.20 from the 2008 maximum of \$12,648.00.

### **FICA coverage threshold increases for domestic, election workers**

The threshold for coverage under social security and Medicare for domestic employees will be \$1,700 in 2009, up from \$1,600 in 2008; the coverage threshold for election workers will be \$1,500 in 2009, up from \$1,400 in 2008.

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