

## **Social Security Tax – Wage tax**

For the Old Age, Survivors and Disability Insurance (OASDI) tax or [Social Security](#) tax, the **Social Security Wage Base** (SSWB) is the maximum earned gross income or upper threshold on which a wage earner's Social Security tax may be imposed. The Social Security tax is one component of the [Federal Insurance Contributions Act tax](#) (FICA) and [Self-employment tax](#), the other component being the [Medicare](#) tax. It is also the maximum amount of covered wages that are taken into account when [average earnings](#) are calculated in order to determine a worker's [Social Security benefit](#).

In 2010, the Social Security Wage Base is \$106,800 and the Social Security tax rate is 6.20% paid by the employee and 6.20% paid by the employer.<sup>[1]</sup> A person with \$10,000 of gross income will have \$620.00 withheld as Social Security tax from his check, with the employer sending an additional \$620.00. A person with \$110,000 of gross income in 2010 incurs Social Security tax of \$6,621.60 (resulting in an effective rate of approximately 6% - the rate is lower because the income is more than the 2010 "wage base", see below), with \$6,621.60 paid by the employer. A person earning a million dollars in wages will pay the same \$6,621.60 in Social Security tax (resulting in an effective rate of approximately 0.66%), with similar employer matching. The [Congressional Budget Office](#) considers the employer share of taxes to be passed on to employees in the form of lower wages that would otherwise be paid and counts them as part of the employees' tax burden.<sup>[2]</sup> Self-employed individuals pay the entire amount of applicable tax.

When an employee works for 2 different companies during a tax year his/her Social Security deductions could exceed the cap. The Social Security tax overage will be calculated on his/her personal return and applied towards his/her Federal taxes. For example in 2010 an employee works 2 jobs (either concurrently or consecutively) paying \$60,000 each. Since each employer calculates the social security taxes independently each employer will deduct 6.2% of the \$60,000 employee's salary, \$3,720, for a grand total of \$7,440 which exceeds the cap of \$6,621.60 by \$818.40. The over-payment would be entered on line 65 on the 1040 IRS Tax form and assuming the employee didn't owe any other Federal Taxes refunded to him/her. The employers who each paid \$3,720 will not get a refund since they are not aware that the employee overpaid in aggregate for the year and Social Security keeps the \$818.40 overage. Even if they become aware of the overpayment there is no method to claim the overpayment.

For the year 2010, the Social Security Wage Base is \$106,800. Since 2000, the SSWB has been:

<b>Year</b>	<b>Wage Base</b>	<b>Increase</b>	<b>Social Security Employer and Employee Share</b>	<b>Total Contribution to Social Security</b>
2010	\$106,800	0.0%	\$6,621.60	\$13,243.20
2009	\$106,800	4.7%	\$6,621.60	\$13,243.20
2008	\$102,000	4.6%	\$6,324.00	\$12,648.00
2007	\$97,500	3.5%	\$6,045.00	\$12,090.00
2006	\$94,200	4.7%	\$5,840.40	\$11,680.80
2005	\$90,000	2.4%	\$5,580.00	\$11,160.00

2004	\$87,900	1.0%	\$5,449.80	\$10,899.60
2003	\$87,000	2.5%	\$5,394.00	\$10,788.00
2002	\$84,900	5.6%	\$5,263.80	\$10,527.60
2001	\$80,400	5.5%	\$4,984.80	\$9,969.60
2000	\$76,200		\$4,724.40	\$9,448.80

See [here](#) for a complete historical list of the Social Security Wage Ba