

Social Security and Medicare Taxes

Federal Insurance Contributions Act (FICA) taxes are deducted from an employee's paycheck each pay period. Commonly referred to as Social Security taxes, there are actually two separate taxes: the Old-Age, Survivors and Disability Insurance (OASDI) tax and the Medicare Hospital Insurance (HI) tax. For calendar 2018, OASDI applies to the first \$128,400 of wages.¹ HI is 1.45% of all wages.

Social Security Taxes for Employees				
Year	OASDI Wage Base	OASDI Rate	Maximum OASDI Tax	Hospital Insurance Rate
2015	\$118,500	4.2%	\$4,977	1.45%
2016	118,500	6.2%	7,347	1.45%
2017	127,200	6.2%	7,886	1.45%
2018	128,400	6.2%	7,961	1.45%

Social Security Taxes for the Self-Employed				
Year	OASDI Wage Base	OASDI Rate	Maximum OASDI Tax	Hospital Insurance Rate
2015	\$118,500	10.4%	\$12,324	2.90%
2016	118,500	12.4%	14,694	2.90%
2017	127,200	12.4%	15,773	2.90%
2018	128,400	12.4%	15,922	2.90%

Note: Individuals with \$400 or more per year in net earnings from self-employment must file IRS schedule SE with his or her income tax return.

Calculating the Social Security Tax (2018)			
Employee Portion		Self-Employed	
Covered wages	\$_____	Covered wages	\$_____
6.2% of 1st \$128,400	\$_____	12.4% of 1st \$128,400	\$_____
1.45% of covered wages	\$_____	2.9% of covered income	\$_____
Total tax	\$_____	Total tax	\$_____

¹ Source: Social Security Administration. The dollar amount of wages subject to OASDI is termed the "wage base." The wage base is subject to adjustment each year for changes in the national average wage.

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Patient Protection and Affordable Care Act

Beginning in 2013, the Patient Protection and Affordable Care Act imposed an additional Medicare tax on certain taxpayers:

- **0.9% health insurance tax:** Taxpayers with incomes above certain thresholds pay an additional HI tax of 0.9%. For an employee, the additional 0.9% effectively increases the HI tax from 1.45% to 2.35% on income in excess of the applicable threshold. For self-employed taxpayers, the additional tax of 0.9% effectively raises the HI tax rate to 3.8% of net self-employment income in excess of the applicable threshold. For self-employed individuals, the additional 0.9% tax is not deductible. The thresholds are \$250,000 in case of a joint return (the earnings of both spouses are considered) or a surviving spouse, \$125,000 in the case of a married individual filing a separate return, and \$200,000 for any other taxpayer.