

## **Social Security Wage Base Increases to \$110,100**

The Social Security Administration has announced that the wage base for computing the Social Security tax (OASDI) in 2012 increases to \$110,100 from \$106,800, which was the wage base for 2009 through 2011. The \$3,300 increase, which is about 3%, is due to an increase in average total wages.

The Federal Insurance Contributions Act (FICA) imposes two taxes on employers, employees, and self-employed workers – one for Old Age, Survivors and Disability Insurance (OASDI; commonly known as the Social Security tax), and the other for Hospital Insurance (HI; commonly known as the Medicare tax).

The FICA tax rate for employees and employers normally is 7.65% each – 6.2% for OASDI and 1.45% for HI. However, for 2011, the OASDI rate for employees is 4.2%.

For self-employed workers, the FICA tax normally is 15.3% - 12.4% for OASDI and 2.9% for HI. However, for 2011, the self-employment tax rate is 13.3% : 10.4% for OASDI, reflecting the two percentage point drop in the OASDI rate for employees, plus 2.9% for HI.