**8534. What are the social security and Medicare tax rates for traditional employees and employers?**

The social security tax and Medicare tax rates are the same on the wage income of a wage earner and as they are on the self-employment income of a self-employed individual. However, the operative statute for the imposition of payroll taxes on wage earners is the Federal Insurance Contributions Act (the “FICA tax”).[[1]](#endnote-1) Unlike the self-employed, the liability for FICA tax imposed on the wages of a wage earner is split equally between the employee and the employer. In other words, the employee and the employer are each responsible for 6.2% of the 12.4% of social security tax and for 1.45% of the 2.9% of Medicare tax.[[2]](#endnote-2)

Although the social security tax rate is much higher than the Medicare tax rate, it is capped at a certain amount of wages as adjusted annually for inflation. So, wages in excess of the cap amount are no longer subject to social security tax. For 2014, the social security tax caps at wages of $117,000.[[3]](#endnote-3) Thus, the maximum amount of social security tax liability for the employee and employee shares would be $14,508 (12.4% \* $117,000), or $7,254 each.

On the other hand, there is no cap on the Medicare tax. This means the combined employer/employee 2.9% tax rate will be imposed on all wages without limit. So, for 2014, although the imposition of social security tax ceases on wages in excess of $117,000, the imposition of Medicare tax continues to be imposed on all excess wages. Moreover, effective for tax years beginning after December 31, 2012, subject to filing status thresholds, there is an Additional Medicare Surtax of 0.9% added to the 1.45% rate on the employee portion of the Medicare tax.

1. . Codified as Chapter 21 of the Internal Revenue Code, IRC Secs. 3101-3128. [↑](#endnote-ref-1)
2. . IRC Secs. 3101(a), 3111(a), 3101(b) and 3111(b). [↑](#endnote-ref-2)
3. . Press Release, Social Security Administration (October 13, 2013). [↑](#endnote-ref-3)