**8572. If one spouse’s wages exceeds $200,000, triggering mandatory withholding by the employer of the additional Medicare tax, but when combined with the second spouse’s wages, the couple’s wages are less than the $250,000 threshold for married taxpayers filing jointly (meaning there is no additional Medicare tax owing), can the first spouse request his or her employer not to withhold the additional Medicare tax?**

No. Pursuant to IRC Section 3102(a), once an employee’s wages exceed $200,000 (the mandatory wage withholding amount), the employer must withhold 0.9% of the excess amount even if the employee does not actually owe any additional Medicare tax. So for wages in excess of $200,000, the employer must withhold the additional Medicare tax even if those wages combined with his or her spouse’s wages do *not* exceed the applicable threshold for a married couple filing jointly ($250,000).[[1]](#footnote-1) To the extent the amount withheld exceeds the employee’s liability, the employee’s remedy is to apply it as a payment against other tax he or she may owe or receive a refund for the excessive withholding.

**8572.02 What are the consequences of an employer’s failure to withhold the additional Medicare tax that an employee is liable to pay?**

There are several possible ways that an employer might fail to withhold the additional Medicare tax an employee is liable to pay. For example, it might occur if both spouses individually earn wages under the mandatory $200,000 withholding amount. So, if one spouse has wages of $100,000 and the other spouse has wages of $199,000, neither spouse’s wages are subject to mandatory withholding. Yet, because the couple’s combined wages of $299,000 exceed the $250,000 applicable threshold by $49,000, they must pay the additional Medicare tax on that amount. Thus, on Form 8959, the couple would compute the additional Medicare tax of 0.9% on $49,000 – reporting it on line 60 of Form 1040.[[2]](#footnote-2)

On the other hand, an employer obligated to withhold the additional Medicare tax on wages in excess of $200,000 may simply fail to do so. Under those circumstances, the employer remains obligated to pay the tax to the IRS unless and until the employer can prove that it was paid by the employee. However, even if the employee ultimately pays the tax, it does not relieve the employer of its liability for any interest or penalties assessed as a result of its failure to withhold the additional Medicare tax.[[3]](#footnote-3)

**8572.04 Can a taxpayer request additional withholding specifically earmarked to pay anticipated additional Medicare tax?**

No, a taxpayer cannot make such a request. However, the taxpayer may modify Form W-4 to request his or her employer to withhold additional income tax. Even though the additional amount withheld is technically regular income tax (not additional Medicare tax), it is nonetheless credited as a payment to be applied to all Form 1040 tax liability owing including the additional Medicare tax.[[4]](#footnote-4)

**8572.05 Can a taxpayer make estimated tax payments to cover the additional Medicare tax liability?**

Although the additional Medicare tax is a separate tax, the IRS considers it to be part of the taxpayer’s overall tax liability. So, if the taxpayer’s withholdings are not sufficient to cover the entire tax liability, there may be a penalty imposed on the failure to make an estimated tax payment. For that reason, it may behoove a taxpayer who does not increase the amount withheld by the employer to make estimated payments to cover any shortfall.[[5]](#footnote-5)

**8572.06 How does a taxpayer calculate additional Medicare tax liability if the taxpayer receives both wage income and self-employment income in the same tax year?**

The taxpayer’s combined wages and/or self-employment income is subject to the additional Medicare tax. This means the tax is imposed on the excess of the taxpayer’s entire amount of earned income over the applicable threshold. The following fact pattern demonstrates the three-step procedure for calculating the tax owed:

*Example*: Sam is a single taxpayer with $130,000 in wages and $145,000 in self-employment income, or total earned income of $275,000. The applicable threshold for a single taxpayer is $200,000.

 Step 1 - Calculate additional Medicare tax on wages in excess of the applicable threshold;

As mentioned above, the applicable threshold for a single taxpayer is $200,000. However, since Sam’s wages of $130,000 do not exceed the applicable threshold, there is no additional Medicare tax on his wages.

 Step 2 - Reduce the applicable threshold by the total amount of wages, but not below zero;

In this case, the applicable threshold of $200,000 minus Sam’s $130,000 of wages equals a reduced threshold of $70,000.

Step 3 - Calculate the additional Medicare tax on any self-employment income received in excess of the reduced threshold.

 In Step 1, $130,000 of the applicable threshold is absorbed by Sam’s wages. Then, in Step 2, the applicable threshold minus Sam’s wages is reduced to $70,000. Finally, in Step 3, Sam’s self-employment income of $145,000 exceeds the reduced threshold of $70,000 by $75,000, the amount of Sam’s self-employment income subject to the additional Medicare tax. The actual tax is $675 (0.9% \* $75,000).

1. . IRS FAQ, *Questions and Answers for the Additional Medicare Tax*, available at http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax (last accessed April 14, 2014); Treas. Reg. §31.3102-4(a). [↑](#footnote-ref-1)
2. Treas. Reg. §31.3102-4(b), Example J. [↑](#footnote-ref-2)
3. Treas. Reg. §31.3102.4(c). [↑](#footnote-ref-3)
4. See IRS Q&A on the Additional Medicare Tax, available at: [http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax](http://www.irs.gov/Businesses/Small-Businesses-%26-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax) (last accessed April 25, 2014). [↑](#footnote-ref-4)
5. See IRS Q&A on the Additional Medicare Tax, available at: [http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax](http://www.irs.gov/Businesses/Small-Businesses-%26-Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax) (last accessed April 25, 2014). [↑](#footnote-ref-5)