

Outsourcing Alert: What's New – Social Security and Medicare

The Internal Revenue Service has issued The Federal Tax Guide (*Publicación 179*) for Puerto Rico employers with changes applicable to taxable year 2016.

Social Security Tax 2016

The applicable social security tax rate is 6.2%, for each employee and employer, same as in 2015. The social security wage limit also did not change, remains \$118,500 for taxable year 2016.

The Medicare tax rate is 1.45%, for each employee and employer, unchanged from 2015. There is no wage base limit for Medicare tax.

Social security and Medicare taxes apply to wages of household workers who you pay \$2,000 or more in cash or an equivalent form of compensation. Social security and Medicare taxes apply to election workers who are paid \$1,700 or more in cash or an equivalent form of compensation.

Additional Medicare Tax Withholding

In addition to withholding Medicare tax at 1.45%, employers must withhold a 0.9% Additional Medicare Tax from wages paid to an employee in excess of \$200,000 in a calendar year. You are required to begin withholding Additional Medicare Tax in the pay period in which you pay wages in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year.

New deadline for filing Forms W-3PR & 499R-2/W-2PR of 2016

The 499R-2/W-2PR & W-3PR forms must be filed with the Social Security Administration (SSA) **on or before January 31, 2017**. This requirement will apply to filings made on both on paper and electronically.

Link-IRS

<https://www.irs.gov/pub/irs-prior/p179-2016.pdf>



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