

# Outsourcing Alert: What's New for Social Security and Medicare

The federal tax guide for the employers of Puerto Rico (Publication 179) has issued the following changes for the taxable year 2017.

## Social Security Tax 2017

The Social Security and Medicare tax rates are applicable to both employee and employer. Social security rate remained the same as in 2016; new wage limit is \$127,200.

The Medicare tax rate is 1.45% and it also did not change for 2016. There is no wage base limit for Medicare tax.

Social Security and Medicare taxes are applicable to wages of household workers to whom 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 \$1,800 or more in cash or an equivalent form of compensation.

## Qualified small business payroll tax credit for increasing research activities

For tax years beginning after December 31, 2015, a qualified small business may elect to claim up to \$250,000 of its credit for increasing research activities as a payroll tax credit against the employer's share of social security tax.

## Reminders

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.

Severance payments are subject to social security, Medicare and FUTA tax.



Link-IRS

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

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