



Outsourcing



People



Businesses

What's new for Social Security and Medicare in 2020

January 20, 2020

The Federal Tax Guide - Publication 15 includes the following changes for the taxable year 2020.



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Social Security and Medicare tax for 2020

The Social Security tax rate for 2020 continues to be 6.2% each for employee and employer. The new social security wage limit is \$137,700.

The Medicare tax rate for 2020 is 1.45% each for the employee and employer and it also remained unchanged from 2019. There is no wage base limit for Medicare tax.

The Social Security and Medicare taxes apply to the wages of household workers to whom you pay \$2,200 or more in cash or an equivalent form of compensation. Social security and Medicare taxes apply to election workers who are paid \$1,900 or more in cash or an equivalent form of compensation in 2020.

New Form 1099-NEC

There is a new Form 1099-NEC to report nonemployee compensation paid in 2020 and is due on February 1, 2021. For nonemployee compensation paid in 2019, continue to use Form 1099-MISC, which is due on January 31, 2020.

Reminders

Additional Medicare

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

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

Employer's Annual Federal tax return (Form 944)

Form 944 is designed so the smallest employers (those whose annual liability for social security, Medicare, and withheld federal income taxes is \$1,000 or less) will file and pay these taxes only once a year instead of every quarter.

You must receive a written notice from the IRS to file the Form 944. If you have been filing Forms 941, 941-SS or 941-PR and believe your employment taxes for the calendar year will be \$1,000 or less, and you would like to file Form 944 instead of Forms 941, you must contact the IRS during the first calendar quarter of the tax year to request to file Form 944.

Federal deposits

Federal tax deposits must be made by electronic funds transfer (EFT).

For more information:

[Publication 15: \(Circular E\), Employer's Tax Guide for use in 2020](#)

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