



What's new – Social Security and Medicare

January 25, 2020

The Internal Revenue Service (IRS) issued the following changes for the taxable year 2021.



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Social Security Tax 2021

The social security tax rate is 6.2% each for employee and employer, unchanged from 2020. The new social security wage limit is \$142,800.

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

Social security and Medicare taxes apply to the wages of household workers you pay \$2,300 or more in cash or an equivalent form of compensation. Social security and Medicare taxes apply to election workers who are paid \$2,000 or more in cash or an equivalent form of compensation in 2021.

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 wages subject to social security, Medicare and FUTA tax.

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. For additional information, see the instructions for Form 944.

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



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