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## Social Security Wage Base Limit Raised to \$128,700

The maximum wage base for [Social Security tax](#) will be \$128,700 in 2018, up from \$127,200 in 2017, the U.S. Social Security Administration (SSA) announced October 13.



The wage base is the maximum amount of an individual's gross income that can be subject to Social Security tax on the employer and employee. This adjustment, made to reflect an increase in average wages, will affect about 12 million of the 175 estimated million workers expected to pay Social Security taxes in 2018, according to an SSA statement.

Employers and employees each pay a Federal Insurance Contributions Act (FICA) tax comprising a Social Security tax of 6.2% on the employee's earnings up to the wage base, plus a Medicare tax of 1.45% on all earnings. Under the new wage base, the maximum possible Social Security tax will be \$7,979.40 (up from \$7,886.40 in 2017).

Other changes [announced](#) by the SSA include a 2% cost-of-living increase in Social Security benefit payments, as well as increases in the retirement earnings test exempt amounts and the Social Security disability thresholds.

### Application to Fringe Benefits

The wage base also is used in computing income tax and certain employee benefits. For example, working condition [fringe benefits](#) apply to property or services that employers give employees to use in the performing their jobs—including cell phones, company cars, transportation, lodging, and even uniforms—and can be excluded from the employee's taxable income as long as they are used for business purposes.



In some cases, the employer may choose to ignore the exclusion, say for a company-provided car, and allow the employee to claim a below-the-line deduction for a business expense on their tax return.

In such a case, the employee must claim a deduction to offset the imputed income only as an itemized deduction, subject to the floor of 2% of adjusted gross income (see [Treas. Reg. §1.162-25T](#)).

The imputed income would trigger nonrefundable Medicare taxes and Social Security, or FICA taxes, on the additional income, assuming the employee's earnings are less than the Social Security wage base.