

No Increase in Social Security Benefits or Taxable Wage Base for 2016

The Social Security Administration (SSA) has announced key 2016 Social Security numbers; the benefit amounts and taxable wage base remain unchanged from 2015.

Key Changes for 2016

By law, Social Security benefits increase automatically each year if the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) increases from the third quarter of the last year to the corresponding period of the current year. There was no increase in the CPI-W from the third quarter of 2014 to the third quarter of 2015. Therefore, there will be no Social Security cost-of-living increase for 2016 — benefits during 2016 will be unchanged from 2015 benefits.



The 2016 taxable wage base (the maximum amount of earnings subject to the Social Security tax) is ordinarily adjusted for movement in average national wages from 2013 to 2014, and that indicator increased 3.5%. However, SSA's announcement indicates that the 2016 taxable wage base will remain \$118,500 because there is no cost-of-living adjustment (COLA) for benefit payments.

For Old Age Survivors and Disability Insurance (OASDI), the payroll tax rate in 2016 will be 6.20% on wages up to the Social Security taxable wage base. The Social Security taxable wage base will remain at \$118,500 for 2016. The Medicare payroll tax rate of 1.45% will continue to apply on all wages in 2016. An additional 0.9% Medicare tax rate will apply on wages over \$200,000 for single filers, wages over \$250,000 for joint filers, and wages over \$125,000 for persons who are married but filing separately. These threshold amounts are not indexed for inflation.

Other Social Security amounts for 2016 include the following:

- The average of total wages for 2014 (the most recent year) is \$46,481.52. This figure is used in adjusting previous years' earnings to determine the Average Indexed Monthly Earnings (AIME), which is used to calculate Social Security benefits.

- For 2016, the primary Social Security monthly benefit formula will be 90% of the first \$856 of AIME, plus 32% of the next \$4,301, plus 15% of any excess over \$ 5,157.
- For recipients under Social Security normal retirement age (SSNRA) in 2016, the annual exempt amount remains \$15,720. For recipients who reach SSNRA in 2016, the annual exempt amount, which applies only to earnings in months prior to the month the recipient attains SSNRA, remains \$41,880. There is no earnings test for Social Security recipients in months following attainment of SSNRA.

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