

Social Security Benefits and Taxable Wage Base to Increase for 2019

The Social Security Administration has announced key 2019 Social Security numbers, including a cost-of-living adjustment of 2.8% and taxable wage base of \$132,900.

Key Changes for 2019

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. The measure for the current period in 2018 is compared to the 2017 index to determine the increase for 2019. Accordingly, the 2019 Social Security cost-of-living percentage increase will be 2.8% and will first apply to December 2018 benefits payable in January 2019.

For Old Age Survivors and Disability Insurance (OASDI), the payroll tax rate in 2019 will be 6.20% on wages up to the Social Security taxable wage base. The Social Security taxable wage base will increase in 2019 to \$132,900, up from \$128,400 in 2018. The Medicare payroll tax rate of 1.45% will continue to apply on all wages in 2019. 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 2019 include the following:

- The average of total wages for 2017 (the most recent year) is \$50,321.89. 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 2019, the primary Social Security monthly benefit formula will be 90% of the first \$926 of AIME, plus 32% of the next \$4,657, plus 15% of any excess over \$5,583.
- For recipients under Social Security normal retirement age (SSNRA) in 2019, the annual exempt amount is \$17,640. For recipients who reach SSNRA in 2019, the annual exempt amount is \$46,920, which applies only to earnings in months prior to the month the recipient attains SSNRA. There is no earnings test for Social Security recipients in months following attainment of SSNRA.

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