



SOCIAL SECURITY WAGE BASE, COLA SET FOR 2022

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The maximum amount of an individual's taxable earnings in 2022 subject to Social Security tax will be \$147,000, the Social Security Administration (SSA) [announced](#) Wednesday, October 13.

An increase from \$142,800 for 2021, the wage base limit applies to earnings subject to the tax, known officially as the old age, survivors, and disability insurance (OASDI) tax. Because the OASDI tax rate is 6.2%, an employee with total wages from an employer at or above the maximum in 2022 will pay \$9,114 in tax, with the employer paying an equal amount.

The Medicare hospital insurance tax of 1.45% each for employees and employers has no wage limit and is unchanged for 2022.

Individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married taxpayers filing separately) pay an additional hospital insurance tax under Sec. 3103(b)(2) of 0.9% of wages with respect to employment (also unchanged).

Self-employed individuals pay self-employment tax equal to the combined OASDI and Medicare taxes for both employees and employers, i.e., 15.3%, up to the OASDI wage base and 2.9% in Medicare taxes on net self-employment income above it, with an offsetting above-the-line income tax deduction of half of the OASDI-equivalent component of self-employment tax.

The SSA also announced on Wednesday, October 13, a cost-of-living adjustment (COLA) based on an increase in the consumer price index from the third quarter of 2021, applicable to Social Security benefits payable in 2022, of 5.9%, compared with a COLA increase for 2021 of 1.3%.

The annual amount that retirees receiving Social Security benefits can earn in the year they reach full retirement age before their benefits are reduced (by \$1 for every \$3 in earnings over the limit) will be \$51,960 for 2022, up from \$50,520 in 2021.

Beneficiaries younger than full retirement age will be able to earn up to \$19,560 in 2022 (an increase from \$18,960 in 2021) before their benefits are reduced by \$1 for every \$2 in excess earnings.

The maximum Social Security benefit for a worker retiring at full retirement age will increase to \$3,345 per month in 2022 from \$3,148 per month in 2021.