



Social Security Wage Base Increases to \$160,200 in 2023

The Social Security Administration (SSA) has announced that the maximum earnings subject to Social Security (OASDI) tax will increase from \$147,000 to \$160,200 in 2023 (an increase of \$13,200). The maximum Social Security employer contribution will increase \$818.40 in 2023. The \$160,200 wage base for 2023 is significantly greater than the wage base forecasted by the SSA's Office of the Chief Actuary back in June.

For 2023, the FICA tax rate for both employers and employees is 7.65% (6.2% for OASDI and 1.45% for Medicare).

For 2023, an employer must withhold:

- 6.2% Social Security tax on the first \$160,200 of employee wages (maximum tax is \$9,932.40; i.e., $6.20\% \times \$160,200$)
- 1.45% Medicare tax on the first \$200,000 of employee wages
- 2.35% Medicare tax (regular 1.45% Medicare tax + 0.9% additional Medicare tax) on all employee wages in excess of \$200,000



Social Security and Supplemental Security Income (SSI) benefits will increase by 8.7% in 2023. The average monthly Social Security benefit will increase from \$1,681 to \$1,827, and the maximum federal SSI monthly payment to an individual will increase from \$841 to \$914. The maximum federal SSI monthly payment to a couple will increase from \$1,261 to \$1,371 in 2023. The amount of earnings that is required in order to be credited with a quarter of Social Security coverage will increase from \$1,510 to \$1,640.

The retirement earnings test remains in effect for individuals below normal retirement age (age 65 to 67, depending on year of birth) who continue to work while collecting Social Security benefits. For affected individuals, \$1 in benefits will be withheld for every \$2 in earnings above \$21,240 in 2023 (up from \$19,560 in 2022). For working individuals collecting benefits who reach normal retirement age (NRA) in 2023, \$1 in benefits will be withheld for every \$3 in earnings above \$56,520 (up from \$51,960 in 2022), until the month that the individual reaches NRA. After that month, there is no limit on earnings.

The SSA has a **2023 Fact Sheet** on the changes. This document is available with this newsletter on our website: www.blystonebailey.com/socialsecuritywagebaseincreasein2023.