



EMPLOYER BULLETIN

Employer Communication Center
(608) 264-7900, toll free 1-888-681-3952

Vol. 23, No. 20
December 28, 2006

Social Security Wage Base Set to Increase for 2007

As the designated liaison between the Social Security Administration and employers with Social Security Section 218 Agreements, the Department of Employee Trust Funds provides the following updated information, including Social Security and Medicare wage bases for 2007. This information applies to all Wisconsin Retirement System employers and all other public employers subject to a Social Security Section 218 agreement.

- **Social Security and Medicare Wage Bases and Rates for 2007**

Effective for all wages paid on or after January 1, 2007, the Social Security (full FICA) wage base will increase from \$94,200 to \$97,500. The Medicare wage base will not have a dollar limit for 2007.

Although the wage base will increase, the employer and employee tax rates will remain the same in 2007. The Social Security (full FICA) rate remains at 7.65% (6.20% Social Security plus 1.45% Medicare) for wages up to \$97,500. All wages over \$97,500 are subject only to the 1.45% Medicare rate. The rate remains at 1.45% for others who are subject only to Medicare.

- **Retirement Earnings Test for 2007**

The retirement earnings test applies only to people below normal retirement age (NRA), which ranges from age 65 to 67, depending on year of birth. Social Security withholds benefits if one's earnings exceed a certain level—called a retirement earnings test exempt amount—and one is below NRA. One of two different

exempt amounts apply depending on the year one attains NRA. These exempt amounts generally increase annually with increases in the national average wage index.

The Social Security Administration determines the exempt amount using procedures defined in the Social Security Act. For people attaining NRA *after* 2007, the annual exempt amount in 2007 is \$12,960. For people attaining NRA *in* 2007, the annual exempt amount is \$34,440. This higher exempt amount applies only to earnings made in months prior to the month of NRA attainment. For more information on the test, go to the following link: <http://www.socialsecurity.gov/OACT/COLA/rtea.html>

- **2007 Earnings Requirement for One-Quarter Credit for Social Security**

In 2007, the amount of earnings required for a Social Security credit (one quarter of coverage) will increase from \$970 to \$1,000 (\$2,000 will earn two quarters, etc.).

- **2007 Benefit Increase for Social Security**

The Social Security benefit increase for 2007 will be 3.3%.

- **Election Worker Exclusion for 2007**

The earnings exclusion for election workers will remain the same at \$1,300 for 2007.

For more information, contact John Vincent, Department of Employee Trust Funds, at (608) 261-7942 or e-mail john.vincent@etf.state.wi.us.

