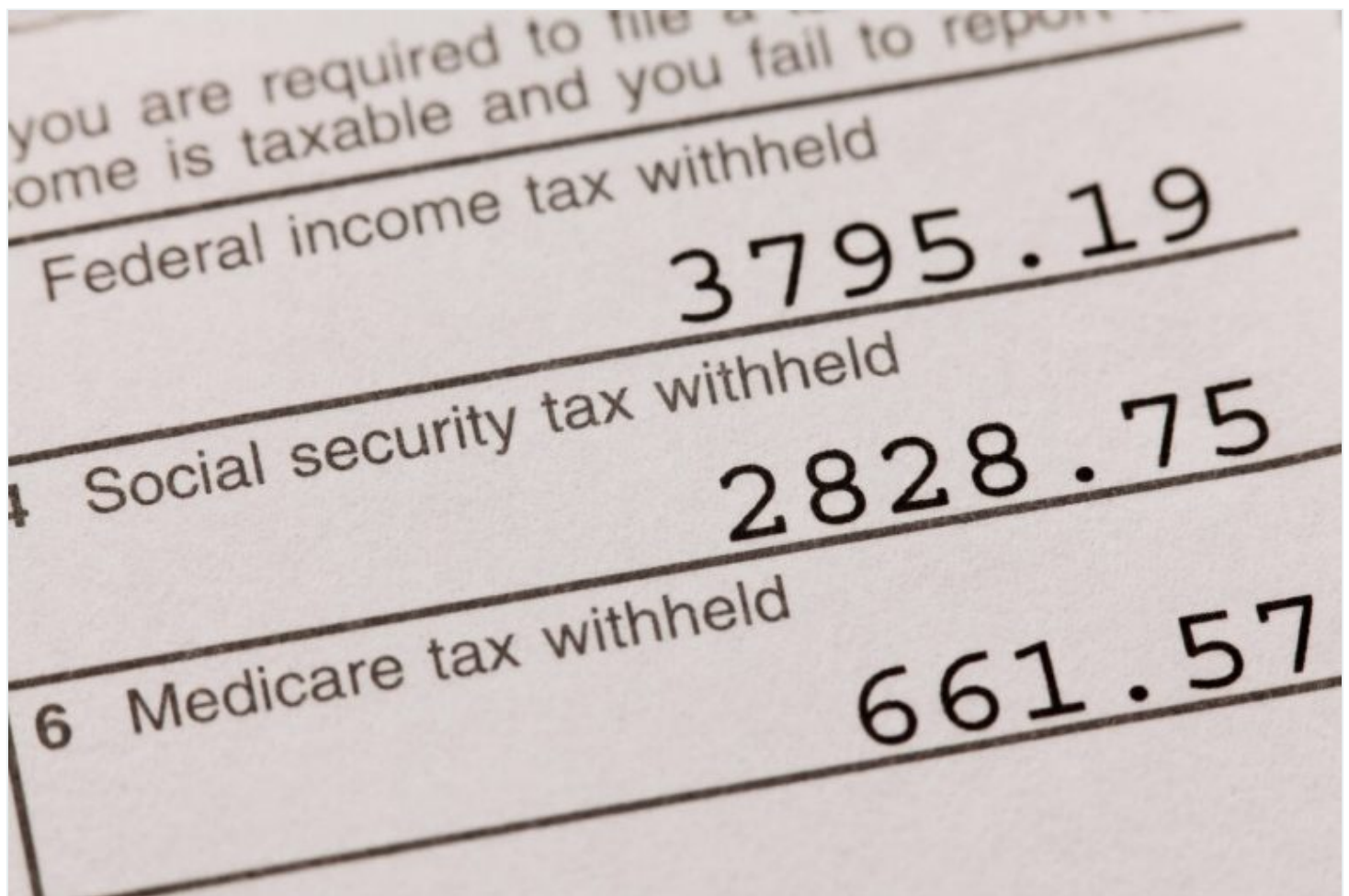


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next year due to a wage base increase.

Oct. 13, 2023

A close-up photograph of a tax form, likely a W-2, showing the 'Federal income tax withheld', 'Social security tax withheld', and 'Medicare tax withheld' sections. The numbers are printed in large, bold, black font. The 'Federal income tax withheld' section shows 3795.19. The 'Social security tax withheld' section shows 2828.75. The 'Medicare tax withheld' section shows 661.57. The text is slightly tilted due to the angle of the photo.

you are required to file a return if your income is taxable and you fail to report	
Federal income tax withheld	3795.19
4 Social security tax withheld	2828.75
6 Medicare tax withheld	661.57

By Kelley R. Taylor, Kiplinger Consumer News Service (TNS)

The Social Security tax, withheld from each paycheck, stops once your income reaches a certain amount. That is due to the “Social Security wage base,” which is the maximum amount of earnings subject to Social Security tax. These taxes fund the Social Security program, which provides retirement, disability, and survivor benefits to eligible recipients.

Thursday, along with a 3.2% cost-of-living (COLA) increase, the Social Security

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Take, for example, an employee with an annual salary that exceeds the wage base by \$10,000. In this case, they would save \$620 on Social Security taxes. On the other hand, someone who earns wages exceeding the base by \$30,000 would receive a \$1,860 tax break. (The more you make over the wage base, the more your Social Security tax savings.)

However, the Social Security wage base increases each year the national average wage index increases. When that happens, which is almost every year, more income is subject to the Social Security tax.

How much are Social Security taxes?

The tax rate for an employee's portion of the Social Security tax is 6.2%.

- Your employer also pays 6.2% on any taxable wages.
- Self-employed individuals pay the full 12.4%. However, it's worth noting if you're self-employed, you can deduct the employer-equivalent portion of that amount.

Over the past five years or so, the Social Security wage base has increased by an average of about \$3,960 a year. However, in 2024, the wage base will go from \$160,200 to \$168,600, an increase of \$8,400 from the previous year. That is significantly less than the \$13,200 increase from 2022 to 2023, which was the largest recorded increase.

As a result, the maximum Social Security tax jumps from \$9,932 to \$10,453. So, people making over \$168,600 in 2024 will be paying about \$521 more in Social Security taxes next year than they would have paid if the wage base remained at \$160,200.

Social Security benefits COLA 2024

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Who is exempt from Social Security tax?

Some people don't have to pay Social Security taxes. (Exemptions from Social Security taxes may be available if certain requirements are met.) Some examples are listed below, although other exemptions may be available.

- Certain members of religious groups or organizations
- Students and certain young (minor) workers
- Employees of foreign governments
- People the IRS considers to be "Non-resident aliens"

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