



Employers: In 2025, the Social Security wage base is going up

As we approach 2025, changes are coming to the Social Security wage base. The Social Security Administration recently announced that the wage base for computing Social Security tax will increase to \$176,100 for 2025 (up from \$168,600 for 2024). Wages and self-employment income above this amount aren't subject to Social Security tax.

If your business has employees, you may need to budget for additional payroll costs, especially if you have many high earners.

Social Security basics

The Federal Insurance Contributions Act (FICA) imposes two taxes on employers, employees and self-employed workers. One is for Old Age, Survivors and Disability Insurance, which is commonly known as the Social Security tax, and the other is for Hospital Insurance, which is commonly known as the Medicare tax.

A maximum amount of compensation is subject to the Social Security tax, but there's no maximum for Medicare tax. For 2025, the FICA tax rate for employers will be 7.65% — 6.2% for Social Security and 1.45% for Medicare (the same as in 2024).

Updates for 2025

For 2025, an employee will pay:

- 6.2% Social Security tax on the first \$176,100 of wages (6.2% × \$176,100 makes the maximum tax \$10,918.20), plus

- 1.45% Medicare tax on the first \$200,000 of wages (\$250,000 for joint returns, \$125,000 for married taxpayers filing separate returns), plus
- 2.35% Medicare tax (regular 1.45% Medicare tax plus 0.9% additional Medicare tax) on all wages in excess of \$200,000 (\$250,000 for joint returns, \$125,000 for married taxpayers filing separate returns).

For 2025, the self-employment tax imposed on self-employed people will be:

- 12.4% Social Security tax on the first \$176,100 of self-employment income, for a maximum tax of \$21,836.40 ($12.4\% \times \$176,100$), plus
- 2.90% Medicare tax on the first \$200,000 of self-employment income (\$250,000 of combined self-employment income on a joint return, \$125,000 on a return of a married individual filing separately), plus
- 3.8% (2.90% regular Medicare tax plus 0.9% additional Medicare tax) on all self-employment income in excess of \$200,000 (\$250,000 of combined self-employment income on a joint return, \$125,000 for married taxpayers filing separate returns).

History of the wage base

When the government introduced the Social Security payroll tax in 1937, the wage base was \$3,000. It remained that amount through 1950. As the U.S. economy grew and wages began to rise, the wage base needed to be adjusted to ensure that the Social Security system continued to collect sufficient revenue. By 1980, it had risen to \$25,900. Twenty years later it had increased to \$76,200 and by 2020, it was \$137,700. Inflation and wage growth were key factors in these adjustments.

Employees with more than one employer

You may have questions about employees who work for your business and have second jobs. Those employees would have taxes withheld from two different employers. Can the employees ask you to stop withholding Social Security tax once they reach the wage base threshold? The answer is no. Each employer must withhold Social Security taxes from an employee's wages, even if the combined withholding exceeds the maximum amount that can be imposed for the year. Fortunately, the employees will get a credit on their tax returns for any excess withheld.

Looking ahead

Do you have questions about payroll tax filing or payments now or in 2025? Contact us. We'll help ensure you stay in compliance.