

FICA wage base increases to \$118,500 for 2015

The Social Security Administration has announced that the [2015 taxable wage base for the Social Security portion of FICA](#) is \$118,500. That's a 1.28% hike over the 2014 wage base of \$117,000.

The 6.2% Social Security tax is payable by both employers and employees; in 2015, the maximum tax is \$7,347.

Except for pretax medical and tax-free fringe benefits, all wages are subject to the 1.45% Medicare portion of FICA, or the 2.35% Medicare portion of FICA for employees earning more than \$200,000, since there's no wage base. ([SSA Fact Sheet, 10-22-14](#))

Exempt amounts for retirees

Retirees who want to return to work are a reliable resource, since they already know the ropes. However, they may lose some of their Social Security benefits. How much they'll lose depends on an earnings test.

Tip: Retirees usually think they'll lose more benefits than they actually will, so informing them of the 2015 figures can ease their minds.

Retirees who return to work during the year they reach full retirement age—between 65 and 67, depending on when they were born—are subject to a modified earnings test that applies only to earnings for the months before that birthday. Wages earned after that birthday don't reduce Social Security benefits.

For 2015, the exempt amount is \$41,880 a year; \$3,490 a month. For them, \$1 in benefits is lost for every \$3 they earn.

A separate earnings test applies to early retirees. Employees who retire before they reach full retirement age and who then return to work, can earn up to \$15,720 a year, or \$1,310 a month, without losing benefits. For these retirees, \$1 in benefits is lost for every \$2 they earn.

2015 401(k) contribution limits

The amount employees can contribute to their 401(k) or 403(b) plan accounts increases to \$18,000 for 2015, the IRS announced. That's up from \$17,500 in 2014. In addition, employees who are at least 50 years old may contribute \$6,000 in pretax catch-up contributions.

Other inflation-adjusted amounts for qualified pension plans include the following:

- The Section 415 limit (i.e., the overall pretax, after tax and employer contribution) increases \$1,000, to 100% of compensation or \$53,000
- The annual compensation limit (i.e., the limit above which contributions can no longer be taken into account increases \$5,000, to \$265,000
- The dollar limitation concerning the definition of key employee in a top-heavy plan is unchanged at

\$170,000

- The dollar limitation used in the definition of a highly compensated employee remains increases \$5,000, to \$120,000. ([IR-2014-99, 10-23-14](#))