



The New Social Security Contribution Rate for 2011

January 2011

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The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reduced 2011 Social Security tax rates for employees and self-employed people by two percentage points. The 2011 tax rate is 4.2 percent for employees, 6.2 percent for employers, and 10.4 percent for self-employed people. These rates apply to earnings up to the maximum taxable amount of \$106,800 in 2011.

The reduction in 2011 tax revenue due to lower tax rates will be made up by transfers from the general fund of the Treasury to the trust funds. Without further changes in the law, these tax rates will return to 6.2 percent and 12.4 percent, respectively, for employees and self-employed people beginning in 2012.

Tips for Employers:

- The 2011 employer tax rate for Medicare and Social Security will remain 6.2 percent with a wage limit of \$106,800.
- The 2011 employee tax rate for Medicare and Social Security will be 4.2 percent.
- The 2011 tax rate for Medicare will be 1.45 percent for employers, as well as employees, with no wage limit.
- Employers are asked to update their payroll systems to reflect these changes as soon as possible, but no later than January 31, 2011.
- Employees should be reimbursed any tax overage made during the transition no later than March 31, 2011.
- Employers should encourage employees to review their tax withholdings to make any necessary adjustments.
- More information about these tax cuts can be found at IRS Notice 1036 at www.irs.gov/pub/newsroom/notice_1036.pdf.

