

## **Business Requirements Document**

***SR83801 - 2013 OASDI Employee Rate Change and Wage Base Increase***

# Information Technology Services

Office of the President

## Document Information

Document Attributes	Information
ID	SR83801
Owner	Payroll Coordination
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## Revision History

Version	Issue Date	Changes
1 <sup>st</sup> Draft	08/24/2012	
1.1	10/22/2012	Added Wage Base Increase
1.2	11/6/2012	B. Burkart – added attachments, removed unneeded sections.

## Document Approvals

Role	Name	Signature	Date
Controller	Peggy Arrivas		

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## 1 Overview

Increase the employee OASDI rate from 4.2% to 6.2%, effective January 1, 2013.

### 1.1 Background

The Tax Relief Act of 2010 reduced the employee OASDI rate for 2011 from 6.2% to 4.2%. The House and Senate agreed to extend the reduced rate through 2012. Beginning January 1, 2013 the rate will revert back to 6.2%.

The Social Security Administration also announced that the taxable wage base for 2013 will increase to \$113,700 for 2013 (See SSA News Release of Oct. 16, 2012).

### 1.2 Objectives

Update the Systems Parameter Table to reflect the rate change and wage base increase.

### 1.3 Related Projects & Dependencies

None

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## 1.4 Stakeholders

Acronym	Description	Role
<b>*</b>	Authorize	Has ultimate signing authority for any changes to the document
<b>R</b>	Responsible	Responsible for creating this document
<b>A</b>	Accountable	Accountable for accuracy of this document (e.g. project manager)
<b>S</b>	Supports	Provides supporting services in the production of this document
<b>C</b>	Consulted	Provides input
<b>I</b>	Informed	Must be informed of any changes

Name	Position	*	R	A	S	C	I
<b>John Barrett</b>	Tax Coordinator	X			X	X	X
<b>Marcia Johnson</b>	Senior Analyst		X	X			

## 1.5 Proposed Strategy

Update the System Parameter Table as follows:

002 OASDI Deduction % 6.2%  
001 OASDI Max Gross \$113,700.00

These updates must be applied to the control tables after the last compute for December 2012 earnings and before the first compute for January 2013 earnings.

## 1.6 Glossary

N/A

## 2 Product/Solution Scope

### 2.1 Included in Scope

Changes to the Systems Parameter Table

### 2.2 Excluded from Scope

N/A

### 2.3 Assumptions & Constraints

N/A

### 2.4 Outstanding Items

N/A

## 3 Business Services and Processes

N/A

## 4 Business Rules

N/A

## 5 Business Requirements

### 5.1 User Requirements

N/A

## 5.2 Functional Requirements

Req ID	Requirement Type	Requirement Description	Priority [L/M/H]	Comments
<b>R0001</b>	Control Table	Update System Parameters 001 and 002 per attached UPAY form	H	

## 5.3 Reporting Requirements

N/A

## 6 Non-Functional Requirements

N/A

## 7 External References

N/A



PAYROLL/PERSONNEL  
SYSTEM PARAMETERS TABLE  
UPAY559 (R01/03) R1460

A/C/D	TBL. NO.	PARAM. NO.	VALUE	DESCRIPTION
1	2	3	4 6 8 13 16 17	36
C	01	002	6.2000	OASDI DEDUCTION %
C	01	001	01137.0000	OASDI MAX GROSS
	01		.	
	01		.	
	01		.	
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RETN: UNTIL ACTION TAKEN

PREPARED BY:	DATE	APPROVED BY:	DATE
<i>Marcia Johnson</i>	10/23/12	<i>John Barnett</i>	11/5/12



Tuesday, October 16, 2012  
For Immediate Release



Press Office  
410-965-8904  
press.office@ssa.gov

# News Release

SOCIAL SECURITY

## **Social Security Announces 1.7 Percent Benefit Increase for 2013**

Monthly Social Security and Supplemental Security Income (SSI) benefits for nearly 62 million Americans will increase 1.7 percent in 2013, the Social Security Administration announced today.

The 1.7 percent cost-of-living adjustment (COLA) will begin with benefits that more than 56 million Social Security beneficiaries receive in January 2013. Increased payments to more than 8 million SSI beneficiaries will begin on December 31, 2012.

Some other changes that take effect in January of each year are based on the increase in average wages. Based on that increase, the maximum amount of earnings subject to the Social Security tax (taxable maximum) will increase to \$113,700 from \$110,100. Of the estimated 163 million workers who will pay Social Security taxes in 2013, nearly 10 million will pay higher taxes as a result of the increase in the taxable maximum.

Information about Medicare changes for 2013, when announced, will be available at [www.Medicare.gov](http://www.Medicare.gov). For some beneficiaries, their Social Security increase may be partially or completely offset by increases in Medicare premiums.

The Social Security Act provides for how the COLA is calculated. To read more, please visit [www.socialsecurity.gov/cola](http://www.socialsecurity.gov/cola).

###

**NOTE TO CORRESPONDENTS:** A [fact sheet](#) showing the effect of the various automatic adjustments is attached.



## HUMAN RESOURCES Interoffice Memo

**To:** Joe Lewis  
Mike Baptista  
David Olson  
Ellen Lorenz  
Margaret Lucas

**Kris Lange**  
Adam Chen-Ok  
Richard Townsend  
Christy Thompson  
Mary Jenkins

**From:** Kathie Fujisaka

**Date:** October 19, 2012

**Subject:** 2013 Social Security Benefit Increases

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The Social Security Administration has announced that the **2013 taxable wage base** for the Old Age, Survivors, and Disability Insurance (OASDI) component of the Federal Insurance Contributions Act (FICA) **taxes will be \$113,700.**

The tax rate for the OASDI component is 6.20% for employers and employees. The OASDI rate for employees was reduced to 4.20% for 2011 through the end of February 2012 by the Temporary Payroll Tax Cut Continuation Act of 2011. The Middle Class Tax Relief and Job Creation Act of 2012 extended this reduction through the end of 2012. This reduction is set to expire at the end of December 2012.

All wages are subject to the payroll tax for Medicare. The tax rate for the Medicare Hospital Insurance (HI) component will remain at 1.45%. Beginning with 2013, an additional .9% Medicare tax rate will apply on wages over \$200,000 for single filers, wages over \$250,000 for joint filers and wages over \$125,000 for persons who are married but filing separately.

Based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2011 through the third quarter of 2012, **Social Security beneficiaries and Supplemental Security Income beneficiaries will receive a 1.7% COLA for 2013.**

cc: Barbara Clark  
Shaun Ruiz  
Pension & Retirement Programs

### SOCIAL SECURITY WAGE BASE INCREASES TO \$113,700 FOR 2013

#### Social Security News Release, 10/16/2012

The Social Security Administration has announced that the wage base for computing the Social Security tax (OASDI) in 2013 increases to \$113,700 from \$110,100, which was the wage base for 2012. The \$3,600 increase, which is about 3.27%, is due to an increase in average total wages.

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

For 2013, the FICA tax rate for employers is 7.65% each—6.2% for OASDI and 1.45% for HI. For 2013, an employee pays:

1. 6.2% Social Security tax on the first \$113,700 of wages (maximum tax is \$7,049.40 [6.20% of \$113,700]), plus
2. 1.45% Medicare tax on the first \$200,000 of wages (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return), plus
3. 2.35% Medicare tax (regular 1.45% Medicare tax + 0.9% additional Medicare tax) on all wages in excess of \$200,000 (\$250,000 for joint returns; \$125,000 for married taxpayers filing a separate return). (Code Sec. 3101(b)(2))

For 2012, the OASDI rate for employees is 4.2%; the OASDI rate for employers is 6.2% and the HI rate for both employers and employees is 1.45%.

For 2013, the self-employment tax imposed on self-employed people is:

- 12.4% OASDI on the first \$113,700 of self-employment income, for a maximum tax of \$14,098.80 (12.40% of \$113,700); 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 separate return), (Code Sec. 1401(a), Code Sec. 1401(b)), plus
- 3.8% (2.90% regular Medicare tax + 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 a separate return). (Code Sec. 1401(b)(2))

For 2012, the self-employment tax rate is 13.3%: 10.4% for OASDI, reflecting the two percentage point drop in the OASDI rate for employees, plus 2.9% for HI.

**RIA observation:** While many tax issues remain in dispute between the political parties, there seems to be a consensus that the two percentage point drop in the OASDI rate for employees and the equivalent reduction for self-employed persons will not be continued for 2013.

There is a maximum amount of compensation subject to the OASDI tax, but no maximum for HI.

**RIA illustration :** On a salary of \$113,700 (or more), an employee and his employer each will pay \$7,049.40 in Social Security tax in 2013. For 2012, an employer pays \$6,826.20 on a salary of \$110,100 (or more) but an employee pays only \$4,624.20.

**RIA illustration :** A self-employed person with at least \$113,700 in net self-employment earnings will pay \$14,098.80 for the Social Security part of the self-employment tax in 2013. For 2012, a self-employed person with at least \$110,100 of net self-employment earnings pays only \$11,450.40 for the Social Security part of the self-employment tax.

# Information Technology Services

Office of the President



**UC HR/BENEFITS - INFORMATION SYSTEMS SUPPORT**  
**SERVICE REQUEST**  
 UIRC 160ISS (R 01/00)

**SR83801**

DATE 10/23/12	DATE/CYCLE DUE	ESTIMATE REQUIRED? <input type="checkbox"/> YES <input type="checkbox"/> NO
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PERSON AUTHORIZING REQUEST: <b>Peggy Arrivas</b>	SYSTEMS CONTACT:
DEPARTMENT: <b>Payroll Coordination</b>	RECHARGE NO.: <b>NR-Payroll</b>
REQUESTOR: <b>Marcia Johnson</b>	SYSTEMS/FILES/PROGRAMS: <b>PAYROLL</b>

RETRIEVAL/SYSTEM MODIFICATION: (Description of Request)  
**2013 OASDI Wage Base Increase and Employee OASDI Rate Change**

**PRODUCTION RUN**

SYSTEM	EFFECTIVE DATE OF INFORMATION	TYPE OF RUN <input type="checkbox"/> RERUN <input type="checkbox"/> ADD'L	TYPE OF OUTPUT <input type="checkbox"/> REPORT <input type="checkbox"/> EXTRACT FILE <input type="checkbox"/> LABELS
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**RETRIEVAL/PRODUCTION RUN**

DISTRIBUTION OF OUTPUT INSTRUCTIONS: (FOR RETRIEVAL REQUESTS, INCLUDE LONG TERM FILE RETENTION INSTRUCTIONS IF APPROPRIATE)

**IR&C USE ONLY**

<input type="checkbox"/> R	<input type="checkbox"/> NR	<input type="checkbox"/> IM STAFF	TO:	<input type="checkbox"/> RET	<input type="checkbox"/> CORP SYS	<input type="checkbox"/> M&O	<input type="checkbox"/> PAYROLL	<input type="checkbox"/> PRODUCTION CONTROL
DATE RECEIVED	REVISED DUE DATE	DATE COMPLETED	COMPLETED BY	COMPUTING TIME CHARGES	STAFF TIME CHARGES	BILLING NO.	JOB NAME	PRODUCTION CONTROL
COMMENTS:								
ESTIMATE INFORMATION	COMPLETION DATE	STAFF HOURS	ESTIMATED COSTS (COMPUTING COSTS)	ESTIMATED TOTAL COSTS				
		\$	\$	\$				

APPROVAL TO PROCEED: **Peggy Arrivas** 11/5/12 **Controller**  
(NAME, TITLE, ADDRESS)