

Business Requirements Document

SR100378 - 2014 OASDI Employee Wage Base Increase

Information Technology Services

Office of the President

Document Information

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1st Draft	10/31/2013	
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Document Approvals

Role	Name	Signature	Date
Controller	Peggy Arrivas		

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1 Overview

Increase the OASDI taxable wage base for 2014 from \$113,700 to \$117,000.

1.1 Background

Social Security's Old-Age, Survivors, and Disability Insurance (OASDI) program limits the amount of earnings subject to taxation for a given year. This limit changes each year with changes in the national average wage index. For earnings in 2014, this base is \$117,000.

1.2 Objectives

Update the Systems Parameter Table to reflect the wage base increase.

1.3 Related Projects & Dependencies

None

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1.4 Stakeholders

Acronym	Description	Role
*	Authorize	Has ultimate signing authority for any changes to the document
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Name	Position	*	R	A	S	C	I
John Barrett	Tax Coordinator	X			X	X	X
Marcia Johnson	Senior Analyst		X	X			

1.5 Proposed Strategy

Update the System Parameter Table as follows:

001 OASDI Max Gross \$117,000

These updates must be applied to the control tables after the last compute for December 2013 earnings and before the first compute for January 2014 earnings.

1.6 Glossary

N/A

2 Product/Solution Scope

2.1 Included in Scope

Changes to the Systems Parameter Table

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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
R0001	Control Table	Update System Parameters 001 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 1	TBL. NO. 2	PARAM. NO. 3	VALUE 4	8	13	16	17	DESCRIPTION 36
C	01	001	01170.0000					OASDI MAX GROSS
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RETN: UNTIL ACTION TAKEN

PREPARED BY: <i>Marcia Johnson</i>	DATE <i>10/31/13</i>	APPROVED BY: <i>John Banlett</i>	DATE <i>10/31/13</i>
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SOCIAL SECURITY WAGE BASE INCREASES TO \$117,000 FOR 2014

Social Security News Release, 10//2013

The Social Security Administration has announced that the wage base for computing the Social Security tax (OASDI) in 2014 increases to \$117,000 from \$113,700, which was the wage base for 2013. The \$3,300 increase, which is about 2.9%, 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 2014, the FICA tax rate for employers is 7.65% each—6.2% for OASDI and 1.45% for HI. For 2014, an employee pays:

- a. 6.2% Social Security tax on the first \$117,000 of wages (maximum tax is \$7,254.00 [6.2% of \$117,000]), plus
- b. 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
- c. 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 2014, the self-employment tax imposed on self-employed people is:

- 12.4% OASDI on the first \$117,000 of self-employment income, for a maximum tax of \$14,508.00 (12.40% of \$117,000); 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))

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

RIA illustration On a salary of \$117,000 (or more), an employee and his employer each will pay \$7,254.00 in Social Security tax in 2014.

RIA illustration A self-employed person with at least \$117,000 in net self-employment earnings will pay \$14,508.00 for the Social Security part of the self-employment tax in 2014.

RIA observation: Self-employed workers deduct half of their self-employment tax above-the-line in arriving at adjusted gross income.

References: For FICA tax, see FTC 2d/FIN ¶ H-4545 ; United States Tax Reporter ¶ 31,114 ; TaxDesk ¶ 541,001 ; TG ¶ 9500 .