

**SUMMARY OF MAJOR CHANGES TO
DOD 7000.14-R, VOLUME 7A, CHAPTER 45
“FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)”**

All changes are denoted by **blue font**.

Substantive revisions are denoted by a ★ preceding the section, paragraph, table or figure that includes the revision

Hyperlinks are denoted by ***underlined, bold, italic blue font***.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	EFFECTIVE DATE
Table 45-1	This update incorporates calendar year 2007 FICA percentages, maximum taxable wages, and maximum tax amount.	January 1, 2007

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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTION ACT (FICA)4501 GENERAL

The Federal Insurance Contribution Act (reference (ci)) requires federal agencies to withhold FICA (Social Security and Medicare) taxes from the basic pay of military members covered by the Social Security Act and to pay matching FICA taxes to the Social Security Administration. See Table 45-1 for the FICA tax component for old age, survivors, and disability insurance (OASDI) tax, also called Social Security tax, and the FICA tax component for hospital insurance (HI) tax, also called Medicare tax. The OASDI tax rate applies only to those basic pay payments that do not exceed the annually variable OASDI wage base. There is no cap on wages subject to the withholding of Medicare tax.

4502 REQUIREMENTS

450201. Members Subject to FICA. Any member appointed to, enlisted in, or inducted into any Military Service is subject to FICA tax. This includes members serving:

- A. In the Military Service academies (excluding foreign nationals).
- B. In an aviation cadet status.
- C. In a combat zone.

450202. Taxable Wages. The following wages are subject to FICA withholding:

- A. Basic pay (excluding reduction for educational benefits under the Montgomery G.I. Bill) (reference (aa)).
- B. Active duty compensation.
- C. Inactive duty compensation. (This applies to inactive duty training performed after December 1987).
- D. Taxable amounts earned but unpaid at the date of death (subject to the maximum earnings tax) if paid to the beneficiary during the same calendar year in which member's death occurs.
- E. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization.
- F. Taxable amounts received prior to the government's voidance of the member's enlistment contract.

G. Waived portions of forfeitures of basic pay payable to dependent(s) of confined member as prescribed in [Chapter 48, Paragraph 480306](#) of this volume.

4503 DEDUCTION OF FICA TAX

450301. Amount. See Table 45-1 for the withholding percentage rate and for the total maximum tax.

450302. Maximum Tax. Discontinue deductions when the member's total active duty basic pay plus inactive duty compensation equal the annual maximum earnings subject to FICA withholding, and when the maximum tax has been deducted.

450303. Effect of Punishment, Absence, and Non-pay Status. See Table 45-2.

450304. More Than One Employer. Deduct FICA tax regardless of any amounts previously or currently being deducted by another employer. Each Military Service is considered a separate employer; however, cross-servicing of a member's pay account between the Military Services does not constitute a change of employer. A break in service of any length within the same Military Service does not constitute a change of employer. Consider all FICA tax withheld during the calendar year in determining the total amount withheld. If application of the above results in a withholding in excess of the maximum tax, the member may claim the excess from the Military Service concerned, and adjustments will be made accordingly.

450305. Retroactive Entitlements and Deductions. Adjustments will be considered as affecting the pay for the year in which made and will be reflected in the quarter in which paid. Do not consider any adjustments made for under or overpayments of inactive duty compensation received prior to 1 January 1988. Adjust during the quarter in which the retroactive entitlement or deduction of basic pay is entered in the member's pay account. All retroactive payments are subject to FICA withholding at the rates in effect at the time of payment. If the member has been discharged, separated, or retired, then issue an IRS Form W-2 (Wage and Tax Statement).

450306. Indebtedness. FICA taxes previously withheld may not be used to offset any indebtedness.

FICA PERCENTAGES, MAXIMUM TAXABLE WAGES, AND MAXIMUM TAX				
Year	Social Security (OASDI) Tax	Medicare Hospital Insurance (HI) Tax	Maximum FICA Wages	Maximum Tax
2000	6.20		76,200	4,724.40
		1.45	unlimited	
2001	6.20		80,400	4,984.80
		1.45	unlimited	
2002	6.20		84,900	5,263.80
		1.45	unlimited	
2003	6.20		87,000	5,394.00
		1.45	unlimited	
2004	6.20		87,900	5,449.80
		1.45	unlimited	
2005	6.20		90,000	5,580.00
		1.45	unlimited	
2006	6.20		94,200	5,840.40
		1.45	unlimited	
★2007	6.20		97,500	6,045.00
		1.45	unlimited	

★Table 45-1. FICA Percentages and Maximum Taxable Wages and Maximum Tax

EFFECT OF PUNISHMENT, ABSENCE, AND NON-PAY STATUS		
R U L E	A	B
	When a member	then
1	is fined by court-martial and the fine is deducted from pay	the amount of the fine is subject to FICA tax.
2	is required to forfeit pay as the result of court-martial or nonjudicial punishment	the forfeiture is a loss of entitlement to the basic pay involved and the amount so loss is not subject to FICA tax. (note 1)
3	has pay detained under court-martial or nonjudicial punishment	the amount detained is not subject to FICA tax until it is actually paid to the member.
4	is absent without leave	the amount of basic pay deducted for the period is not subject to FICA tax.
5	is confined by civil authorities under conditions that require loss of pay	

NOTE: The waived portion of a forfeiture is taxable income to the confined member and is subject to FICA under [Chapter 48, paragraph 480306.C](#) (of this volume) and paragraph 450202.G of this chapter.

Table 45-2. Effect of Punishment, Absence, and Non-Pay Status

BIBLIOGRAPHY**CHAPTER 45 - FEDERAL INSURANCE CONTRIBUTION ACT (FICA)**

4501 - GENERAL

42 U.S.C. 410(1)

4502 - REQUIREMENTS

450201

42 U.S.C. 410(1)

26 U.S.C. 3121(m)

450202

42 U.S.C. 409(d)

4503 - DEDUCTION OF FICA TAX

450301

26 U.S.C. 3101; 3102

450304

26 U.S.C. 3101

450305

26 U.S.C. 3102

26 U.S.C. 6205

Table 45-2

Rule 2

36 Comp Gen 79

Rule 3

26 U.S.C. 451

Armed Forces Income Tax Council Opinion,
April 1, 1963