

**SUMMARY OF MAJOR CHANGES TO CHAPTER 45
DOD 7000.14-R, VOLUME 7A
MILITARY PAY POLICY AND PROCEDURES ACTIVE DUTY AND RESERVE DUTY**

New and revised instructions are indicated by a star placed immediately before the new or revised section, paragraph, subparagraph, decision logic table, etc.

Page	Paragraph	Explanation of Change/Revision	Effective Date
45-3, 45-4	450202.G Table 45-2, note 1	IC 24-97 provides for FICA withholding from basic pay portion of waived forfeiture.	Apr 1, 1996
45-3	Table 45-1	IC 13-00 updates the maximum taxable wages subject to FICA and the maximum FICA tax for 1997-2000.	Feb 23, 2000

CHAPTER 45

FEDERAL INSURANCE CONTRIBUTION ACT (FICA)

4501 GENERAL

The Federal Insurance Contribution Act (reference (ci)) requires the withholding of tax from wages of employees covered by the Social Security Act and the payment of employer's tax by federal agencies.

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, or
- 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 on which member's death occurs.
- E. Basic pay or compensation earned when absence is because 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 members as prescribed in paragraph 480306.

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, except that cross servicing of a member's pay account between the Military Services does not constitute a change of employers. A break in service of any length within the same Military Service does not constitute a change of employers. 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 in 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, issue a IRS Form W-2.

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

FICA PERCENTAGES AND MAXIMUM TAXABLE WAGES AND MAXIMUM TAX							
Maximum Wages	Social Security	+	Hospital Insurance	=	Total		Maximum Tax
29,700	5.35		1.30		6.65		1975.05
32,400	5.40		1.30		6.70		2,170.80
35,700	5.40		1.30		6.70		2,391.90
37,800	5.40		1.30		6.70		2,532.60
39,600	5.70		1.35		7.05		2,791.80
42,000	5.70		1.45		7.15		3,003.00
43,800	5.70		1.45		7.15		3,131.70
45,000	6.06		1.45		7.51		3,379.50
48,000	6.06		1.45		7.51		3,604.80
51,300	6.20		1.45		7.65		3,924.45
53,400	6.20						3,310.80
125,000			1.45				1,812.50
55,500	6.20						3,441.00
130,200			1.45				1,887.90
57,600	6.20						3,571.20
135,000			1.45				1,957.50
60,600	6.20						3,757.20
1994			1.45			unlimited	
1995	6.20					61,200	3,794.40
1995			1.45			unlimited	
1996	6.20					62,700	3,887.40
1996			1.45			unlimited	
★1997	6.20					65,400	4,054.80
			1.45			unlimited	
★1998	6.20					68,400	4,240.80
			1.45			unlimited	
★1999	6.20					72,600	4,501.20
			1.45			unlimited	
★2000	6.20					76,200	4,724.40
			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 lost 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 which require loss of pay	

NOTE:

1. However, the waived portion of a forfeiture under paragraph 480306 is taxable income to the confined member and subject to FICA under subparagraphs 480306.C and 450202.G of this volume.

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

Chapter 45—Federal Insurance Contributions 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, Apr 1, 1963