

VOLUME 7A, CHAPTER 45: “FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)”

SUMMARY OF MAJOR CHANGES

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

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

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

The previous version dated March 2009 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
450202.B	Removed reference to “Active Duty Compensation.”	Update
Table 45-1	Updated to reflect current FICA percentages, maximum taxable rates, and maximum tax for calendar years 2010 and 2011.	Update

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CHAPTER 45

FEDERAL INSURANCE CONTRIBUTIONS ACT (FICA)

4501 GENERAL

The Federal Insurance Contributions Act (FICA) 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 in:

- A. The Military Service academies (excluding foreign nationals).
- B. An aviation cadet status.
- C. 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).

* B. Inactive duty compensation.

C. 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 the member's death occurs.

D. Basic pay or compensation earned when absence is the result of injury, sickness, or hospitalization.

E. Taxable amounts received prior to the Government's voidance of the member's enlistment contract.

F. Waived portions of forfeitures of basic pay payable to dependent(s) of a confined member, as prescribed in Chapter 48, paragraph 480306.

4503 DEDUCTION OF FICA TAX

450301. Amount

See the [“Contribution and Benefit Base”](#) at Social Security Online or Table 45-1 for the withholding percentage rate and the total maximum tax.

450302. Maximum Tax

Discontinue deductions when the member’s total active duty basic pay plus inactive duty compensation equals 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, then 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 January 1, 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 Internal Revenue Service (IRS) Form W-2 (Wage and Tax Statement).

450306. Indebtedness

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

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

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	
2008	6.20		102,000	6,324.00
		1.45	unlimited	
2009	6.20		106,800	6,621.60
		1.45	unlimited	
2010	6.20		106,800	6,621.60
		1.45	unlimited	
2011	4.20		106,800	4,485.60
		1.45	unlimited	

NOTE: If current year is not listed, see the [“Contribution and Benefit Base”](#) at Social Security Online.

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

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)
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, subparagraph 480306.C and subparagraph 450202.G.

BIBLIOGRAPHY

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 45-1	42 U.S.C. 430
	“Contribution and Benefit Base”, Social Security Online
*	IRS Notice 1036 (December 2010)

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