

## 2013 Changes Announced for Social Security and Medicare

The Social Security Administration and Centers for Medicare and Medicaid Services recently announced changes in Social Security and Medicare benefits for 2013. Here are some key changes.

### Social Security Changes

#### Cost-of-living Adjustment

The cost-of-living adjustment (COLA) for Social Security beneficiaries will increase by 1.7 percent, effective January 1, 2013. This adjustment is based on the increase in the Consumer Price Index (CPI-W) from the third quarter of 2011 through the third quarter of 2012.

<u>Social Security cost-of-living adjustment</u>	<u>2012</u>	<u>2013</u>
	3.6%	1.7%

Supplemental Security Income (SSI) beneficiaries will also receive a COLA of 1.7 percent, beginning December 31, 2012.

#### Maximum Taxable Earnings

The amount of earnings subject to Social Security taxes has increased. The Social Security Administration raised the taxable earnings threshold based on the increase in average wages.

<u>Maximum taxable earnings</u>	<u>2012</u>	<u>2013</u>
Social Security	\$110,100	\$113,700
Medicare	No limit	No limit

### 2013 Social Security and Medicare Tax Rates for Employers and Employees

<u>Tax rate-Employee</u>	<u>2012</u>	<u>2013</u>
Social Security	6.20% <sup>1</sup>	6.20%
Medicare	1.45	1.45
Additional Medicare tax for those earning more than \$200,000 (single) or \$250,000 (married filing jointly) <sup>2</sup>	0	0.9
<u>Tax rate-Employer</u>	<u>2012</u>	<u>2013</u>
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Medicare	1.45	1.45
Additional Medicare tax for those earning more than \$200,000 (single) or \$250,000 (married filing jointly) <sup>2</sup>	0	0

1. Legislation has reduced the employee-paid portion of the Social Security tax by 2% to 4.20% through the end of 2012. This reduction is scheduled to expire at the end of December 2012. At the time of this writing, it is undecided whether the 2% reduction will continue in 2013. The figures shown do not include the temporary reduction.

2. The Affordable Care Act requires that these revenues generated from high earners be used to support the hospital insurance portion of Medicare.

## Estimates of 2013 Minimum Payroll taxes

Annual Salary	Social Security Tax (6.2%) <sup>1</sup>	Medicare Tax (1.45%)	Total	Employee Paid Payroll Tax	Total Employer Paid Payroll Tax	Total Payroll Tax
\$40,000	\$2,480	\$580	\$3,060	\$3,060	\$3,060	\$6,120
\$65,000	\$4,030	\$943	\$4,973	\$4,973	\$4,973	\$9,945
\$90,000	\$5,580	\$1,305	\$6,885	\$6,885	\$6,885	\$13,770
\$120,000	\$7,049	\$1,740	\$8,789	\$8,789	\$8,789	\$17,578

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### Age to Receive Full Social Security Benefits

Called "full retirement age" or "normal retirement age," from [SocialSecurity.gov](http://SocialSecurity.gov).

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

### Additional Social Security information

- Benefits reduced by 25% are payable at age 62. If you are 62 in 2013, you reach full retirement age at age 66.
- If you turn 66 in 2013, but delay receiving Social Security, the Delayed Retirement Credit will increase your benefit by 8.0% for each full year that you do not receive a benefit up to age 70.
- If you retire early (ages 62 through 66), the earnings limit will rise from \$14,640 per year in 2012, to \$15,120 per year in 2013. One dollar in benefits will be withheld for every two dollars in earnings above this limit.
- The earnings limit for the year that you reach full retirement age (FRA) will increase from \$38,880 per year for 2012, to \$40,080 per year for 2013. This limit applies only for months prior to attaining FRA. One dollar in benefits will be withheld for every three dollars in earnings above this limit.
- There is no earnings limit once you reach full retirement age.

- Taxation of Social Security remains unchanged. If your total taxable income (which includes your adjusted gross income, tax-exempt interest, and 50% of your Social Security benefits) exceeds \$32,000 for a couple or \$25,000 for a single person, then a portion of your income is subject to federal income tax.

## Sources and additional Social Security information

- IRS Questions and Answers about the Additional Medicare Tax on high earners:  
[www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax](http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Questions-and-Answers-for-the-Additional-Medicare-Tax)
- U.S. Social Security Administration fact sheet on the 2013 cost-of-living adjustment:  
[www.ssa.gov/pressoffice/factsheets/colafacts2013.htm](http://www.ssa.gov/pressoffice/factsheets/colafacts2013.htm)
- U.S. Social Security Administration general information on the 2013 cost-of-living adjustment:  
[www.ssa.gov/cola/](http://www.ssa.gov/cola/)
- U.S. Social Security Administration information on Social Security and income tax:  
[www.socialsecurity.gov/planners/taxes.htm](http://www.socialsecurity.gov/planners/taxes.htm)
- U.S. Social Security Administration information on full retirement age:  
[www.socialsecurity.gov/retire2/retirechart.htm](http://www.socialsecurity.gov/retire2/retirechart.htm)

## Medicare Changes

### Medicare Part B

<u>Standard Medicare Part B Monthly premium</u>	<u>2012</u>	<u>2013</u>
	\$99.90	\$104.90

Over the past five years, annual Medicare Part B premiums have increased less than 2 percent per year on average, from \$96.40 in 2008 to \$104.90 in 2013.

Medicare Part B premiums are income based. Individuals with Adjusted Gross Income (AGI) of \$85,001 or more and married couples who file jointly with an AGI of \$170,001 or more will pay higher premiums, based on the following table:

<b>If Your Modified Adjusted Gross Income in 2011 was</b>		Monthly Part B Premium for 2013
For singles	For married couples filing jointly	
\$85,000 or less	\$170,000 or less	\$104.90
Above \$85,000 up to \$107,000	Above \$170,000 up to \$214,000	\$146.90
Above \$107,000 up to \$160,000	Above \$214,000 up to \$320,000	\$209.80
Above \$160,000 up to \$214,000	Above \$320,000 up to \$428,000	\$272.70
Above \$214,000	Above \$428,000	\$335.70

<u>Medicare Part B Deductible</u>	<u>2012</u>	<u>2013</u>
	\$140	\$147

## Medicare Part A

<u>Medicare Part A Monthly Premium</u> <sup>1</sup>	<u>2012</u>	<u>2013</u>
40 Quarters of Medicare-covered Employment	\$ 0	\$ 0
30-39 Quarters of Medicare-covered Employment	\$248	\$243
Less than 30 Quarters of Medicare-covered Employment	\$451	\$441

1. Most people do not pay a Part A premium because they paid Medicare taxes while working. However, individuals who have not accrued 40 quarters of Medicare-covered employment can still buy coverage based on the table above. Note: People who pay for Part A hospital insurance must enroll in Part B Medical insurance.

## Hospital Inpatient Stay

<u>Deductible</u>	<u>2012</u>	<u>2013</u>
	\$1,156 deductible	\$1,184 deductible

<u>Hospital in-patient co-pay</u>	<u>2012</u>	<u>2013</u>
Days 1-60	\$0	\$0
Days 61-90	\$289/day	\$296/day
Lifetime Reserve <sup>1</sup> Days 91 and up	\$578/day	\$592/day

1. Lifetime maximum days 91-150

<u>Skilled Nursing Facility</u>	<u>2012</u>	<u>2013</u>
Days 1-20	\$0	\$0
Days 21-100 (maximum)	\$141.50/day	\$148/day

## Sources and additional Medicare information:

- U. S. Centers for Medicare and Medicaid Services fact sheet on 2013 Medicare costs: [www.medicare.gov/Pubs/pdf/11579.pdf](http://www.medicare.gov/Pubs/pdf/11579.pdf)
- 2013 Medicare cost information from the official blog of the U.S. Medicare program: <http://blog.medicare.gov/2012/11/16/2013-medicare-update/>
- Federal Register announcement of 2013 Medicare costs:
- <https://www.federalregister.gov/articles/2012/11/21/2012-28275/medicare-program-medicare-part-b-monthly-actuarial-rates-premium-rate-and-annual-deductible>
- Official U.S. Government homepage of the Medicare program: <http://medicare.gov/>
- History of Medicare provisions: <http://www.ssa.gov/policy/docs/statcomps/supplement/2011/2b-2c.html#table2.c1>

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