



Obama Signs 4.2 Percent Social Security Tax Rate Extension

December 27, 2011

On December 23rd, President Obama signed modified legislation ([H.R. 3765](#)) that will extend the 4.2 percent rate for the employee portion of Social Security tax into the first two months of 2012.

Based on the law as signed, wages earned in the first two months of 2012 are subject to the 4.2 percent rate for those with a wage base of up to \$110,100. Employers should implement the new payroll tax rate as soon as possible in 2012 but not later than Jan. 31, 2012.

The law also includes a new “recapture” provision, which applies only to those employees who receive more than \$18,350 in wages during the two-month period. Such employees who are earning more than \$110,100 annually will pay this recapture tax on their personal tax return.

If Congress does not negotiate a yearlong extension of the 4.2 percent rate, employers will not need to correct the amounts withheld for January and February 2012 to accommodate a 6.2 percent rate.

Please contact your dedicated Account Consultant with any questions or for more information.

CCS Alert is not intended to offer legal or tax counsel or opinion. For more information contact your CCS Account Consultant or call us at 212.808.5577.