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2007 Social Security Changes Cost-of-Living Adjustments (COLA)

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Recommended Citation
Cross, Ralph, "2007 Social Security Changes Cost-of-Living Adjustments (COLA)" (2007). *MTAS Publications: Hot Topics.*
http://trace.tennessee.edu/utk_mtastop/71

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MTAS
Municipal Technical Advisory Service
In cooperation with the Tennessee Municipal League

#135
HOT topic

February 2, 2007

2007 SOCIAL SECURITY CHANGES COST-OF-LIVING ADJUSTMENTS (COLA)

Ralph Cross, Finance Consultant

Social Security Income (SSI) beneficiaries will receive a 3.3 percent cost-of-living adjustment for 2007. This increase is based on growth in the Consumer Price Index (CPI-W) from the third quarter of 2005 through the third quarter of 2006.

Additional information below was extracted from the 2006-2007 Social Security Fact Sheet, a press release from the Social Security Administration (SSA).

Tax Rate	2006	2007
Employee—Employer	7.65%	7.65%
Self-employed	15.30%	15.30%

These tax rates reflect the combined rate for Social Security and Medicare. The 7.65 percent tax rate is composed of the Social Security (OASDI) rate of 6.20 percent and the Medicare rate of 1.45 percent. The Social Security portion is applied on earnings up to the applicable taxable maximum amount listed below. The Medicare portion is applied to all earnings.

Maximum Earnings Table	2006	2007
Social Security (OASDI only)	$94,200	$97,500
Medicare (HI only)	No Limit	
Quarter of Coverage	$970	$1,000
Retirement Earnings Test Exempt Amounts	$12,480/yr. ($1,040/mo.)	$12,960/yr. ($1,080/mo.)

Note: One dollar in benefits will be withheld for every two dollars in earnings above the limit.

The year an individual reaches full retirement age	2006	2007
	$33,240/yr. ($2,770/mo.)	$34,440/yr. ($2,870/mo.)

Note: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every three dollars in earnings above the limit.

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There is no limit on earnings beginning the month an individual attains full retirement age (65 and 8 months for retirees born in 1941; 65 and 10 months for those born in 1942).

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Mary E. Smith, director of the Old Age and Survivors Insurance Agency (OASI) for the state of Tennessee, has issued additional information regarding Social Security and Internal Revenue Service changes and opportunities in a memorandum dated December 2006. Smith may be reached in Nashville at (615) 741-7902.

Additional information and SSA publications are available at www.socialsecurity.gov or call toll free (800) 772-1213.

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MTAS1054 • E14-1050-000-034-07