THE UNIVERSITY of TENNESSEE

MUNICIPAL TECHNICAL ADVISORY SERVICE

…in cooperation with the Tennessee Municipal League

#176

HOT topic

January 12, 2009

2009 SOCIAL SECURITY CHANGES COST-OF-LIVING ADJUSTMENTS (COLA)

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Social Security Income (SSI) beneficiaries will receive a 5.8 percent cost-of-living adjustment for 2009. This increase is based on the growth in the Consumer Price Index (CPI-W) from the third quarter of 2007 through the third quarter of 2008.

Additional information below was extracted from the *Social Security Fact Sheet 2008-2009*, a press release by the Social Security Administration (SSA).

TAX RATE

	2008	2009
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 at right. The Medicare portion (HI) is applied to all earnings.

MAXIMUM EARNINGS TABLE

	2008	2009
Social Security (OASDI only)	$102,000	$106,800
Medicare (HI only)	No Limit	
Quarter of Coverage:	$1,050	$1,090

RETIREMENT EARNINGS TEST EXEMPT AMOUNTS

	2008	2009
Under full retirement age	$13,560/yr. ($1,130/mo.)	$14,160/yr. ($1,180/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

2008	2009
$36,120/yr. ($3,010/mo.)	$37,680/yr. ($3,140/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.

This reminder is for information purposes only. The material provided within should not be cited or used as authority for benefit or employment tax obligations or requirements. The Internal Revenue Code and the Social Security Act, along with regulations, revenue rulings and case law are the only valid citations of authority.

Vernon G. Bush, State Social Security Administrator, has issued additional information regarding Social Security and Internal Revenue Service changes and opportunities in a memorandum dated December 2008. Bush may be reached in Nashville at (615) 741-7902.

Additional information and SSA publications are available at www.irs.gov, www.socialsecurity.gov and www.medicare.gov.

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