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Hot Topic: Social Security Changes Cost-of-Living Adjustments (COLA) (2008)

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January 28, 2008

2008 SOCIAL SECURITY CHANGES COST-OF-LIVING ADJUSTMENTS (COLA)

Ralph Cross, Finance Consultant

Social Security Income (SSI) beneficiaries will receive a 2.3 percent cost-of-living adjustment for 2008. This increase is based on the growth in the Consumer Price Index (CPI-W) from the third quarter of 2006 through the third quarter of 2007.

Additional information below was extracted from the *Social Security Fact Sheet 2007-2008*, a press release by the Social Security Administration (SSA).

	<u>TAX RATE</u>	
	2007	2008
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 is applied to all earnings.

MAXIMUM EARNINGS TABLE

	2007	2008
Social Security (OASDI only)	\$97,500	\$102,500
Medicare (HI only)	No Limit	
Quarter of Coverage:	\$1,000	\$1,050

RETIREMENT EARNINGS TEST
 EXEMPT AMOUNTS

	2007	2008
Under full retirement age	\$12,960/yr. (\$1,080/mo.)	\$13,560/yr. (\$1,130/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

	2007	2008
	\$34,440/yr. (\$2,870/mo.)	\$36,120/yr. (\$3,010/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.

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 2007. Smith may be reached in Nashville at (615) 741-7902.

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

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