

Social Security Contribution and Benefit Base for 2003

Under authority contained in the Social Security Act (“the Act”), the Commissioner, Social Security Administration, has determined and announced (67 F.R. 65620, dated October 25, 2002) that the contribution and benefit base for remuneration paid in 2003, and self-employment income earned in taxable years beginning in 2003 is \$87,000.

“Old-Law” Contribution and Benefit Base

General

The “old-law” contribution and benefit base for 2003 is \$64,500. This is the base that would have been effective under the Act without the enactment of the 1977 amendments. We compute the base under section 230(b) of the Act as it read prior to the 1977 amendments.

The “old-law” contribution and benefit base is used by:

(a) the Railroad Retirement program to determine certain tax liabilities and tier II benefits payable under that program to supplement the tier I payments which correspond to basic Social Security benefits,

(b) the Pension Benefit Guaranty Corporation to determine the maximum amount of pension guaranteed under the Employee Retirement Income Security Act (as stated in section 230(d) of the Social Security Act),

(c) Social Security to determine a year of coverage in computing the special minimum benefit, as described earlier, and

(d) Social Security to determine a year of coverage (acquired whenever earnings equal or exceed 25 percent of the “old-law” base for this purpose only) in com-

puting benefits for persons who are also eligible to receive pensions based on employment not covered under section 210 of the Act.

Domestic Employee Coverage Threshold

General

The minimum amount a domestic worker must earn so that such earnings are covered under Social Security or Medicare is the domestic employee coverage threshold. For 2003, this threshold is \$1,400. Section 3121(x) of the Internal Revenue Code provides the formula for increasing the threshold.

Computation

Under the formula, the domestic employee coverage threshold amount for 2003 shall be equal to the 1995 amount of \$1,000 multiplied by the ratio of the national average wage index for 2001 to that for 1993. If the resulting amount is not a multiple of \$100, it shall be rounded to the next lower multiple of \$100.

Domestic Employee Coverage Threshold Amount

Multiplying the 1995 domestic employee coverage threshold amount (\$1,000) by the ratio of the national average wage index for 2001 (\$32,921.92) to that for 1993 (\$23,132.67) produces the amount of \$1,423.18. We then round this amount to \$1,400. Accordingly, the domestic employee coverage threshold amount is \$1,400 for 2003.