

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Public Health Service

Chapter CC22--Pay and Allowance Administration
Subchapter CC22.7--Deductions and Collections From Pay
Personnel INSTRUCTION 2--Social Security (FICA) Taxes

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Section A. Purpose and Scope

1. This INSTRUCTION sets forth the requirements for deduction of Social Security (FICA) taxes from pay of Public Health Service (PHS) commissioned officers serving on active duty.
2. Information about officers' coverage and the benefits payable under the Social Security Old-Age and Survivors Insurance Program can be obtained from a local Social Security office or from the Social Security Administration, Office of Policy and Regulations, 6401 Security Blvd., Baltimore, Maryland 21235.

Section B. Authority

The Servicemen's and Veterans' Survivor Benefits Act of 1956 (42 U.S.C. 402 et seq.) extended Social Security coverage to commissioned officers of PHS and required PHS to withhold taxes from an officer's pay and allowances as prescribed by the Federal Insurance Contributions Act (FICA) (26 U.S.C. 3101 et seq.).

Section C. Coverage

The provisions of this INSTRUCTION apply to all officers serving on active duty, including active duty for training. Coverage is mandatory.

Section D. Deduction of Tax

1. Taxable Wages. Only monthly basic pay is subject to FICA taxes. Basic pay credited during the calendar year, up to the maximum income subject to FICA taxes (see table below), is subject to this tax. A difference, therefore, will occur in the number of months during the calendar year this deduction will be made, depending on the amount of the officer's basic pay. For example, during 1988, if the basic pay is \$3,750 per month or less, the deduction will be made every month of the year. If, however, the monthly basic pay during 1988 exceeds \$3,750 (i.e., \$45,000 annually), the monthly deduction will cease after the total amount of tax has been deducted from the first \$45,000 of the officer's annual basic pay, and no further deductions will be made until the first month of the next calendar year (i.e., January 1989).

2. Tax Rate. The percentage of tax deduction, the maximum taxable income, and the total maximum tax by calendar year are:

Tax Rate Table

<u>Calendar Year</u>	<u>FICA (percentage)</u>	<u>Maximum Income Taxed</u>	<u>Maximum Tax</u>
1980	6.13	\$25,900	\$1587.67
1981	6.67	29,700	1975.05
1982	6.70	32,400	2170.80
1983	6.70	35,700	2391.90
1984	6.70	37,800	2532.60
1985	7.05	39,600	2791.80
1986	7.15	42,000	3003.00
1987	7.15	43,800	3131.70
1988	7.51	45,000	3379.50
1989	7.65	*	*

* Under 42 U.S.C. 430(a), the Secretary of Health and Human Services publishes in the Federal Register on or before November 1 of the calendar year preceding the calendar year the tax is to be effective, the maximum income to be taxed.

The Public Health Service, as the officer's employer, pays a matching amount of its share of the FICA tax. However, in 1984, the employer paid 7.0 percent instead of 6.70 percent. Public Law 98-21, Section 123, allowed employees a .3 percent wage tax credit.

3. More Than One Employer. FICA tax will be withheld from an officer's basic pay without regard to amounts previously or currently deducted by another employer within the calendar year. If this results in a withholding in excess of the maximum tax, the officer may claim such excess as a credit on his/her income tax return for that calendar year. The amount withheld during each year will be reported on Form W-2, Wage and Tax Statement, issued to each officer at the end of the taxable year.