DATE: 04/23/2018

NUMBER: wi-21-0418-0691

SUBJECT: Excess Social Security

AFFECTED IRM(s)/SUBSECTION(s): 21.6.3.4.2.4

CHANGE(s):

IRM 21.6.3.4.2.4 - Added Certified Professional Employer Organization to the If/Then table in (5).

1. Employees are subject to social security tax and the equivalent portion of the RRTA Tier I Tax based on various wage limitations:

YEAR	MAXIMUM SOCIAL SECURITY WAGES	PERCENT EMPLOYEE TAX W/H	MAXIMUM SOCIAL SECURITY TAX W/H
2017	$127,200	6.2	$7,886.40
2015 / 2016	$118,500	6.2	$7,347.00
2014	$117,000	6.2	$7,254.00

2. Employees are subject to the employee portion of Medicare tax (shown separately on Form W-2, *Wage and Tax Statement*), at the rate of 1.45%. There is no wage base limit for Medicare tax. All wages are subject to the tax. Thus, there is no excess Medicare tax credit.
3. For withholding purposes, the above social security tax (and equivalent portion of the RRTA Tier I tax) maximum applies separately with respect to each employer for whom an employee works. If an employee works for one employer and receives the maximum social security wages and also works for another employer in the same calendar year, the second employer is also required to deduct social security tax from the employee's wages up to the maximum social security tax.
4. If more than the maximum social security tax (or equivalent portion of the RRTA Tier I tax) is deducted from the wages of the employee, the employee can receive a credit for the social security tax or RRTA Tier I withheld in excess of the maximum social security tax or RRTA Tier I tax. This credit is available only if such withholding is the result of the employee working for two or more employers. This credit is taken on the back of Form 1040, *U.S. Individual Income Tax Return*, in the payment section.

5. If an employee has more than the maximum social security or RRTA Tier I taxes deducted from his or her total wages, appropriate action depends on the information that has been entered on the Forms W-2 received by the employee.

If	Then
The employee has one Form W-2 on which more than the maximum social security or RRTA Tier I tax was withheld	Return the claim to the taxpayer and inform the taxpayer of the following: o He/She cannot claim excess FICA withheld from the same employer as a credit against his/her income tax. o He/She will need to contact the employer to get a refund of the excess social security tax withheld. o Include Publication 505, Tax Withholding and Estimated Tax, and refer taxpayer to information under "Employer's Error" under the topic "Excess Social Security or Railroad Retirement Tax Withholding," o Inform taxpayer that if he/she cannot obtain reimbursement from the employer, he/she will need a signed statement from the employer indicating the employee had not authorized employer to file a claim, nor had employee been reimbursed for amount over-withheld. o Taxpayer will need to submit Form 843. o Include Form 843 and instructions. **NOTE:** Form 843 claims for **excess social security**, utilize the "Update Case Data" function on CIS to change the information from one case type to another, including the TIN and MFT, and select the appropriate BMF campus (Cincinnati or Ogden) based on the CIS Guide. Do not route to the address below. Form 843 claims for **RRTA Tier I or Tier II**, route to: IRS Large Corp/Technical Unit Stop 537G 201 W. Rivercenter Blvd. Covington, KY 41011

The employee has separate Forms W–2 with different EINs	The employee can claim a credit for excess social security or RRTA Tier I tax. See (7) below.

The employee has separate Forms W–2 with the same EIN	The employee can claim a credit for excess social security or RRTA Tier I tax withheld if:
	
	   o the "Employer's Name" box (Box c) on the Form W-2 reflects the fact that the wages were paid as agent for another employer and such excess withholding was the result of paying wages as agent for one or more other employers. See instructions to Form W-2 (Special Reporting Situations).
	   o it appears that a parent company and one or more of its subsidiaries are responsible for the excess amount
	   o the W-2 was issued by a Certified Professional Employer Organization (CPEO).
	
	   NOTE: The Form W-2 will not show it was issued by a CPEO, but if the taxpayer indicates the W-2 was issued by a CPEO, verify the employer shown on the W-2 is listed on the List of CPEOs. The credit can be allowed if shown.

6. If FICA taxes were withheld when the taxpayer is not liable for FICA tax, see IRM 21.7.2.4.6.4.2, *Excess Social Security and Medicare Tax Withheld - Employee Claims for Refund*.
7. If an adjustment is required, take the following action:
    a. Verify the overpayment of social security or RRTA Tier I tax withheld based on Forms W–2.
    b. Input Credit Reference Number (CRN) 252 to allow the excess social security or RRTA Tier I tax withheld. Input CRN 252 with a minus (-) to reduce the previously allowed excess social security or RRTA Tier I tax. The CRN 252 will generate a Transaction Code (TC) 766 or TC 767.

        NOTE: Input an override code "N" on CC ADJ54.

    c. Use Reason Code 055, and the appropriate source code and blocking series

    d. Refer to IRM 20.1, *Penalty Handbook*, for possible estimated tax penalty adjustment.

       NOTE: The excess amount of social security or RRTA Tier I tax withheld must be computed separately for each spouse on a married filing joint return.

8. For information regarding RRTA Tier I, Tier II or CT-1 claims, see IRM 21.7.2.6.5.7, *Claims filed on Form CT-1X and Form 843*. Excess RRTA Tier 1 and Tier II tax credits must be claimed on Form 843, not the Form 1040.