

FICA FACTS



WHAT IS FICA?

- FICA is the acronym for the Federal Insurance Contributions Act.
- It's a U.S. federal tax that's withheld from employee wages and paid by the employer.
- FICA taxes contribute to Social Security and Medicare.

IMPACT ON YOU

6.2%

Tax rate you pay toward **Social Security** from each employee's gross pay

1.45%

Tax rate you pay toward **Medicare** from each employee's gross pay

IMPACT ON EMPLOYEES

Tax rate withheld from their gross pay for **Social Security**

6.2%

Tax rate withheld from their gross pay for **Medicare**

1.45%

Additional tax rate withheld for **Medicare** from the gross pay of employees whose individual wages exceed \$200,000 for single filers or \$250,000 for joint filers in a year

0.9%

**COMBINED
IMPACT**

15.3%

Tax rate when you combine what employer pays with what employee pays (excluding the potential additional 0.9% tax rate)

FSA FACTS



WHAT IS AN FSA?

- FSA is the acronym for flexible spending account.
- An FSA lets employees contribute tax-free dollars to cover eligible expenses.
- FSA funds (depending on the type of FSA) can be used on medical, dental, vision and dependent care expenses.

The FSA Difference

You'll reduce your tax burden since you won't pay the 7.65% FICA payroll tax toward the funds your employees contribute to FSAs.

Let's look at the below example.

Employee A and Employee B each make \$50,000 per year working at your company. Employee A contributes \$5,000 to FSAs, while Employee B doesn't participate in them. See how much you'll save on Employee A's taxes:

	Employee A	Employee B
Annual Salary	\$50,000	\$50,000
Medical FSA Contributions	\$2,700	\$0
Dependent Care FSA Contributions	\$2,300	\$0
Taxable Salary	\$45,000	\$50,000
Your FICA Tax Burden	\$3,442.50	\$3,825

In this scenario,
YOU SAVE \$382.50
in FICA taxes per employee or
NEARLY \$10,000 FOR EVERY 25 EMPLOYEES WHO ENROLL
And your employee saves
on FICA taxes, too!

Source: www.irs.gov/taxtopics/tc751