Attention MUSC and UMA employees:

Beginning January 1, 2013, the Additional Medicare Tax, a provision of the Affordable Care Act, was implemented into law to charge a surtax of 0.9% on wages exceeding $200,000. Per IRB 2013-51, Section 31.3202-1, “An employer is required to collect from each of its employees the portion of the tax imposed by section 3201(a) (as calculated under section 3101(b)(2)) (Additional Medicare Tax) with respect to compensation for employment performed for the employer by the employee only to the extent the employer pays compensation to the employee in excess of $200,000 in a calendar year. This rule applies regardless of the employee’s filing status or other income.”

Many employees who met this threshold in 2013 are currently having issues with certain tax software programs stating Medicare taxes were over-withheld. It appears the diagnostics on these software programs are not recognizing that UMA and MUSC are common paymasters. Per IRS Publication 15, Section 7, “If two or more related corporations employ the same individual at the same time and pay this individual through a common paymaster that is one of the corporations, the corporations are considered to be a single employer.” The following formula should be used to verify the correct amount of Medicare withholdings:

Medicare wages * 1.45%
Wages in excess of $200,000 * 0.9%
The sum of these two equations should equal the sum of box 6 from the UMA and MUSC W-2s.

We have included links below that provide more information on the Additional Medicare tax and common paymasters.

Link to IRS regulation IRB 2013-51, T.D. 9645
See questions 46 and 47 in the attached Q&A for additional information on common paymasters.
IRS Pub 15, Section 7
Topic 751 for additional information on FICA Withholding Rates

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