

2021 Additional Medicare Tax

The Additional Medicare Tax went into effect in 2013 and applies to wages, compensation, and self-employment income above a threshold amount, based on filing status. The tax liability is calculated on the individual's income tax returns using Form 8959. The rate is 0.9% of all wages that are currently subject to Medicare Tax in excess of the thresholds shown in the table below.

Filing Status	Threshold Amount
Married filing jointly	\$250,000
Married filing separate	\$125,000
Single	\$200,000
Head of household (with qualifying person)	\$200,000
Qualifying widow(er) with dependent child	\$200,000

Medicare wages and self-employment income are combined to determine if income exceeds the threshold. A self-employment loss is not considered for purposes of this tax. There are no special exemptions for nonresident aliens and U.S. citizens living abroad.

Noncash Compensation. All wages not paid in cash, such as noncash fringe benefits, that are subject to the Medicare tax are also subject to the Additional

Medicare Tax. In addition, tips are also subject to the Additional Medicare Tax if, in combination with other wages, they exceed the individual's applicable threshold.

Withholding and Estimated Payments. An employer must withhold Additional Medicare Tax from wages it pays to an individual in excess of \$200,000 in a calendar year, regardless of the individual's filing status or wages paid by another employer. The Additional Medicare Tax withholding is reported on the individual's income tax return. An individual may owe more than the amount withheld by the employer, depending on the individual's filing status, wages, compensation, and self-employment income. In that case, the individual should make estimated tax payments and/or request additional income tax withholding.

Railroad Retirement Tax Act (RRTA) Compensation. All RRTA compensation that is currently subject to Medicare Tax is subject to the Additional Medicare Tax if it is paid in excess of the applicable threshold for an individual's filing status. An employer must withhold Additional Medicare Tax from RRTA compensation it pays to an individual in excess of the \$200,000 in a calendar year regardless of the individual's filing status or compensation paid by another employer. While Medicare wages and self-employment income are combined to determine if income exceeds the threshold, RRTA compensation is separately compared to the threshold.

Information gathered from [irs.gov](https://www.irs.gov). Please visit [this website](#) for more information.

We provide you this information with the understanding that we are not rendering legal, accounting, or tax advice. Please consult your legal or tax advisor concerning such matters.



[klaasfinancial.com](https://www.klaasfinancial.com) | 800-396-0928 | 4707 Perry Ridge Lane, Loves Park, IL 61111-4412 | 5951 McKee Road, Suite 200, Fitchburg, WI 53719-5114

Klaas Financial Asset Advisors, LLC is a registered investment adviser registered with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.