



## 2008 Changes Announced for Social Security and Medicare Benefits

The Social Security Administration and Centers for Medicare and Medicaid Services recently announced changes in Social Security and Medicare benefits effective January 1, 2008. This benefits bulletin provides some of the key changes for your review and use with retired and active members.

### Social Security Changes

#### Cost of Living Adjustment (COLA)

Social Security beneficiaries will receive a 2.3% COLA for 2008 (down from 3.3% in 2007) which is based on the Consumer Price Index (CPI-W) from the third quarter of 2006 to the third quarter of 2007.

<u>Combined Social Security and Medicare Tax Rate</u>	<u>2007</u>	<u>2008</u>
Employer Paid Tax Rate	7.65%	7.65%
Employee Paid Tax Rate	7.65%	7.65%
Total Tax Rate	15.30%	15.30%

*Note: This is the combined tax rate for Medicare and Social Security. The Social Security portion is 6.2% on earnings up to \$102,000. The Medicare portion is 1.45% on all earnings (there is no cap). Employers and employees pay taxes at the same rate.*

<u>Maximum Taxable Earnings</u>	<u>2007</u>	<u>2008</u>
Social Security	\$97,500	\$102,000
Medicare	No cap	No Cap

#### *Estimates of 2008 Maximum Payroll Taxes*

Annual Salary	Social Security Tax (6.2%)	Medicare Tax (1.45%)	Total Employee Paid Payroll Tax (7.45%)	Total Employer Paid Payroll Tax (7.45%)	Total Payroll Tax (15.30%)
\$40,000	\$2,480	\$580	\$3,060	\$3,060	\$6,120
\$65,000	\$4,030	\$943	\$4,973	\$4,973	\$9,946
\$90,000	\$5,580	\$1,305	\$6,885	\$6,885	\$13,770
\$120,000	\$6,324	\$1,740	\$8,064	\$8,064	\$16,128

**Maximum Social Security Benefit**

Worker at full retirement age

**2007**

\$2,116

**2008**

\$2,185

**Other Social Security Issues**

- Full Retirement Age (FRA) is 65 and 10 months for persons born in 1942 and age 66 for those born in 1943.
- Reduced benefits are payable at age 62 and benefit payments are reduced by 25%. If you are 62 in 2008, you reach FRA at age 66.
- If you turn age 66 in 2008, the Delayed Retirement Credit is 8.0% for each full year up to age 70 that you do not receive a benefit at FRA or later.
- The earnings limit for beneficiaries under the FRA (age 62 through 65 and 8 months) increases from \$12,960 in 2007 to \$13,560 for 2008.
- There is no earnings limit at FRA (age 66) or later.
- Taxation of Social Security remains unchanged. If your total taxable income, plus tax exempt interest and 50% of your Social Security benefit exceeds \$32,000 for a couple or \$25,000 for a single, head of household, a portion of your income is subject to federal income tax.

***Estimated Average Monthly Social Security Benefits Payable in January 2008***

	Before 2.3% COLA	After 2.3% COLA
All Retired Workers	\$1,055	\$1,079
Aged Couple, Both Receiving Benefits	\$1,722	\$1,761
Widowed Mother and Two Children	\$2,192	\$2,243
Aged Widow(er) Alone	\$1,017	\$1,041
Disabled Worker, Spouse and One or More Children	\$1,652	\$1,690
All Disabled Workers	\$ 981	\$1,004

**Medicare Changes**

Medicare Part B premiums are now income based. Most people will pay the standard monthly Part B premium of \$96.50 for 2008. However, some will pay more based on their modified adjusted gross income (AGI). Individuals with an AGI of \$82,001 or higher and married couples who file jointly with an AGI of \$164,001 or higher, will pay higher premiums.

**Medicare Part B (Medical Insurance)**

Monthly Part B Premium for 2007	If Your Adjusted Gross Income is:	
	For Singles	For Married Couples who file jointly
\$96.40	\$82,000 or less	\$164,000 or less
\$122.20	\$82,001-\$102,000	\$164,001-\$204,000
\$160.90	\$102,001-\$153,000	\$204,001-\$306,000
\$199.70	\$153,001-\$205,000	\$306,001-\$410,000
\$238.40	\$205,001 and up	\$410,001 and up

<b>Medicare Part B Deductible</b>	<b><u>2007</u></b>	<b><u>2008</u></b>
	\$131	\$135

**Medicare Part A Costs to Individuals for Covered Services and Items**

<b>Part A Monthly Premium*</b>	<b><u>2007</u></b>	<b><u>2008</u></b>
40 credits	\$0	\$0
30-39 credits	\$216	\$233
Less than 30 credits	\$410	\$423

*\*Most people do not pay a Part A premium because they paid Medicare taxes while working. However, individuals who have not accrued 40 credits pay according to this table.*

<b>Hospital Stay</b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Days 1-60	\$992 deductible	\$1,024 deductible
Days 61-90	\$248 per day	\$256 per day
Lifetime* Days 91 and up	\$496 per day	\$512 per day

*\* Lifetime maximum days 91-150)*

<b>Skilled Nursing Facility</b>	<b><u>2007</u></b>	<b><u>2008</u></b>
Days 1-20	\$0 co-insurance	\$0 co-insurance
Days 21-100	\$124 per day	\$128 per day
Days 101 and up	Pay 100% of cost	Pay 100% of cost

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