



SOCIAL SECURITY

The Commissioner

October 15, 2015

The Honorable Paul Ryan
Chairman, Committee on Ways and Means
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Social Security Act provides the formula for determining whether we can apply a cost-of-living adjustment (COLA) to Social Security and Supplemental Security Income (SSI) benefits. The formula links the COLA to the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The CPI-W did not increase over the applicable measuring period (the third quarter of 2014 to the third quarter of 2015) and thus has not triggered an automatic COLA. Therefore, there will be no increase in Social Security benefits beginning December 2015, nor will there be an increase in payments to SSI recipients beginning January 1, 2016. Enclosed is a copy of the press release with additional information.

The Social Security contribution and benefit base will remain at the current amount, \$118,500 for calendar year 2016 because there will be no automatic COLA beginning December 2015. Further information regarding this issue is available on our Internet site:
<http://www.socialsecurity.gov/OACT/COLA/colasummary.html>.

If you have any questions, please have your staff contact Judy L. Chesser, our Deputy Commissioner for Legislation and Congressional Affairs, at (202) 358-6030.

Sincerely,

A handwritten signature in black ink that reads "Carolyn W. Colvin".

Carolyn W. Colvin
Acting Commissioner

Enclosure



News Release

SOCIAL SECURITY

Law Does Not Provide for a Social Security Cost-of-Living Adjustment for 2016

With consumer prices down over the past year, monthly Social Security and Supplemental Security Income (SSI) benefits for nearly 65 million Americans will not automatically increase in 2016.

The Social Security Act provides for an automatic increase in Social Security and SSI benefits if there is an increase in inflation as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). The period of consideration includes the third quarter of the last year a cost-of-living adjustment (COLA) was made to the third quarter of the current year. As determined by the Bureau of Labor Statistics, there was no increase in the CPI-W from the third quarter of 2014 to the third quarter of 2015. Therefore, under existing law, there can be no COLA in 2016.

Other adjustments that would normally take effect based on changes in the national average wage index also will not take effect in January 2016. Since there is no COLA, the statute also prohibits a change in the maximum amount of earnings subject to the Social Security tax, as well as the retirement earnings test exempt amounts. These amounts will remain unchanged in 2016. The attached fact sheet provides more information on 2016 Social Security and SSI changes.

The Department of Health and Human Services has not yet announced Medicare premium changes for 2016. Should there be an increase in the Medicare Part B premium, the law contains a “hold harmless” provision that protects approximately 70 percent of Social Security beneficiaries from paying a higher Part B premium, in order to avoid reducing their net Social Security benefit. Those not protected include higher income beneficiaries subject to an income-adjusted Part B premium and beneficiaries newly entitled to Part B in 2016. In addition, beneficiaries who have their Medicare Part B premiums paid by state medical assistance programs will see no change in their Social Security benefit. The state will be required to pay any Medicare Part B premium increase.

Information about Medicare changes for 2016, when available, will be found at www.medicare.gov.

For additional information, please go to www.socialsecurity.gov/cola.



Fact Sheet

SOCIAL SECURITY

2016 SOCIAL SECURITY CHANGES

o **Cost-of-Living Adjustment (COLA):**

Monthly Social Security and Supplemental Security Income (SSI) benefits will not automatically increase in 2016 as there was no increase in the Consumer Price Index (CPI-W) from the third quarter of 2014 to the third quarter of 2015. Other important 2016 Social Security information is as follows:

	<u>2015</u>	<u>2016</u>
o <u>Tax Rate:</u>		
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

NOTE: The 7.65% tax rate is the combined rate for Social Security and Medicare. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount (see below). The Medicare portion (HI) is 1.45% on all earnings. Also, as of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an additional 0.9 percent in Medicare taxes. The tax rates shown above do not include the 0.9 percent.

o **Maximum Taxable Earnings:**

Social Security (OASDI only)	\$118,500	\$118,500*
Medicare (HI only)	No Limit	

o <u>Quarter of Coverage:</u>	\$1,220	\$1,260
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o **Retirement Earnings Test Exempt Amounts:**

Under full retirement age	\$15,720/yr. (\$1,310/mo.)	\$15,720/yr.* (\$1,310/mo.)
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NOTE: One dollar in benefits will be withheld for every \$2 in earnings above the limit.

The year an individual reaches full retirement age	\$41,880/yr. (\$3,490/mo.)	\$41,880/yr.* (\$3,490/mo.)
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NOTE: Applies only to earnings for months prior to attaining full retirement age. One dollar in benefits will be withheld for every \$3 in earnings above the limit.

There is no limit on earnings beginning the month an individual attains full retirement age.

o **Social Security Disability Thresholds:**

Substantial Gainful Activity (SGA)

Non-Blind	\$1,090/mo.	\$1,130/mo.
Blind	\$1,820/mo.	\$1,820/mo.*

Trial Work Period (TWP)	\$ 780/mo.	\$ 810/mo.
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o **Maximum Social Security Benefit: Worker Retiring at Full Retirement Age:**

	\$2,663/mo.	\$2,639/mo.**
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o **SSI Federal Payment Standard:**

Individual	\$ 733/mo.	\$ 733/mo.*
Couple	\$1,100/mo.	\$1,100/mo.*

o **SSI Resources Limits:**

Individual	\$2,000	\$2,000
Couple	\$3,000	\$3,000

o **SSI Student Exclusion:**

Monthly limit	\$1,780	\$1,780*
Annual limit	\$7,180	\$7,180*

o **Estimated Average Monthly Social Security Benefits Payable in January 2016:**

All Retired Workers	\$1,341
Aged Couple, Both Receiving Benefits	\$2,212
Widowed Mother and Two Children	\$2,680
Aged Widow(er) Alone	\$1,285
Disabled Worker, Spouse and One or More Children	\$1,983
All Disabled Workers	\$1,166

* Because there is no COLA, by law these amounts remain unchanged in 2016.

** A decrease in full maximum benefits occurs when there is no COLA, but there is an increase in the national average wage index.