

02/22/06 Member Alert

## Employment Coverage Thresholds

Updated October 14, 2005

### Coverage threshold definition

A coverage threshold is an amount of earnings that triggers coverage under the Social Security program. Earnings *below* the threshold are not taxable under Social Security nor do such earnings count toward future benefits.

### Domestic employee coverage threshold for 2006

The domestic employee coverage threshold amount for 2006 is \$1,500. By law, the domestic employee coverage threshold amount for 2006 shall be equal to the 1995 amount of \$1,000 multiplied by the ratio of the [national average wage index](#) for 2004 to that for 1993. If the amount so determined is not a multiple of \$100, it is rounded to the next lower multiple of \$100.

Calculation details		
<b>Amounts in formula</b>	1995 threshold	\$1,000
	1993 average wage index	\$23,132.67
	2004 average wage index	\$35,648.55
<b>Computation</b>	\$1,000 times \$35,648.55 divided by \$23,132.67 equals \$1,541.05, which rounds down to \$1,500.	

### Election worker coverage threshold for 2006

The election worker coverage threshold amount for 2006 is \$1,300. By law, the election worker coverage threshold amount for 2006 shall be equal to the 1999 amount of \$1,000 multiplied by the ratio of the [national average wage index](#) for 2004 to that for 1997. If the amount so determined is not a multiple of \$100, it is rounded to the nearest multiple of \$100.

Calculation details		
<b>Amounts in formula</b>	1999 threshold	\$1,000
	1997 average wage index	\$27,426.00
	2004 average wage index	\$35,648.55
<b>Computation</b>	\$1,000 times \$35,648.55 divided by \$27,426.00 equals \$1,299.81, which rounds to \$1,300.	

Coverage thresholds for the last few years

A [table of wage-indexed amounts](#) includes both domestic employee and election worker coverage thresholds.