

Preface

This report presents 1996 earnings and employment data for workers who were in employment covered by the Social Security Act in the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. Members of the Armed Forces are shown separately with no geographic distribution. Workers in American Samoa and Guam, U.S. citizens employed abroad by American employers, and persons employed on American oceanborne vessels are grouped together as "Other."

A residence-based geographic coding system is used for the state and county designations. The system is based on the location of employee residence rather than location of the employer.

The geographic codes are assigned based on the W-2 addresses (generally the individual's residence) that the employers send to SSA by magnetic media (tapes, cartridges, or various types of diskettes) and from self-employment earnings reports. Magnetic media account for more than two-thirds of the total reports filed, and this figure is increasing each year. Paper filers are coded by location of employment, due to the relatively high cost of obtaining data on residence from these reports. Under current law, magnetic media filing is required by all employers with 250 or more employees. Many smaller firms, however, elect to file on magnetic media.

The residence-based coding system captures the residence of the great majority of workers and self-employed persons. A comparison of workers with both wage and salary and self-employment income shows that 96% have the same state code. (For a description of the coding system used for this report, see "The Development of a New Geographic Coding System for the Continuous Work History Sample," by Linda M. Dill, Barry V. Bye, and Cheryl L. Williams, *Social Security Bulletin*, Vol. 57, No. 4 (Winter), 1994.)

Workers with earnings reported in more than one state during the year are shown in each location; however, they are counted only once

in the U.S. total. Workers with earnings reported in more than one county within a state are counted in the county where their earnings were highest, unless they also had self-employment income, in which case their earnings are reported in the county of residence according to the self-employment earnings reports. Workers with earnings reported in both wage and salary employment and self-employment are counted in each type of employment, but only once in the total.

In 1996, earnings up to \$62,700 were subject to Social Security (Old-Age, Survivors, and Disability Insurance) taxes. There is no limit on maximum earnings subject to Medicare taxes.

Those workers who had both wage and salary and self-employment earnings and whose wage and salary earnings reached the Social Security taxable maximum are counted under wage and salary only. Their self-employment earnings are not taxable under Social Security.

The data in this report are based on the 1% Continuous Work History Sample (CWHS), derived from the W-2 wage reports and from Internal Revenue Service Schedule SE of Form 1040. This report only includes data for employment covered under the Social Security Act.

Since this report is based on a 1% sample, the data are subject to sampling variability. Each number is actually an estimate of the true value in the overall population. A result of sampling is that the numbers have a level of uncertainty, and this uncertainty increases as the numbers get smaller. Therefore, the numbers shown here, particularly the relatively smaller ones, should be viewed with this in mind. Sampling variability is described in the Technical Note at the end of this report.

To protect the privacy of the worker, table cells with fewer than three sample cases at the state level and 10 sample cases at the county level are not shown.

SSA collects race-ethnic data from Form SS-5 (Application for Social Security Card). Responses to the race question on the form are

voluntary. From 1936 to about 1980, the race-ethnic designations were limited to White, Black, and Other. After that, the form was revised to have five race-ethnic designations in response to Office of Management and Budget Directive No. 15 (May 12, 1977), "Race and Ethnic Standards for Federal Statistics and Administrative Reporting." Those designations are White, not of Hispanic origin; Black, not of Hispanic origin; Hispanic; Asian or Pacific Islander; and American Indian or Alaska Native. Because most of the data in this report come from the old SS-5, this report only breaks out White and Black and includes any other designations in the overall totals. White and Black are not exactly comparable under the old or new standards because the categories White and Black now exclude those who respond Hispanic.

This report consists of three tables.

Table 1 shows estimated number of workers, taxable earnings, and Social Security and Medicare contributions for wage and salary workers and the self-employed, by state, sex, and race in 1996. Throughout this report taxable earnings are defined as those on which Social Security taxes were paid. Since only earnings to \$62,700 were taxed for Social Security, earnings above that amount are not reported. However, contribution amounts include Medicare taxes on earnings above the Social Security taxable maximum. Taxable earnings are determined by first counting wage and salary and then any self-employment income up to the taxable maximum. The amount of taxes shown includes both the employee and employer shares for both Social Security and Medicare. The contribution rates in 1996 were the same for both the employer and employee—7.65% (6.2% for Social Security and 1.45% for Medicare). The rate for self-employed workers was 15.3% (12.4% for Social Security and 2.9% for Medicare). Taxable self-employment income is determined by multiplying 92.35% (1.0 minus one-half of combined employee and employer Social Security and Medicare tax rate or $1.0 - 0.0765 = 0.9235$) times self-employment net profit. This amount is not taxable if less than \$400. Self-employed persons may deduct one-

half of their Social Security and Medicare taxes as an adjustment to income on IRS Form 1040.

Table 2 provides information on the estimated number of workers and their age, by state, sex, and race in 1996.

Table 3 shows the estimated number of workers, taxable earnings, and Social Security and Medicare contributions for wage and salary workers and the self-employed, by state, county, sex, and race in 1996. Where the county is not shown, workers are shown as "State-wide."