

Student

Date

Class

Instructor

SECTION 2-4 Social Security and Medicare Taxes

The Federal Insurance Contributions Act (F.I.C.A.) requires employers to deduct 6.2 percent of the first \$84,900 of your annual income for Social Security taxes and 1.45 percent of all your annual income for Medicare taxes. The employer must contribute an amount that equals your contribution.

$$\text{Tax Withheld} = \text{Gross Pay} \times \text{Tax Rate}$$

Use the Social Security tax rate of 6.2 percent on the first \$84,900 earned and Medicare tax rate of 1.45 percent on all earnings to solve the following problems.

1. Roland Purcell, a draughtsman, has a gross monthly income of \$2,400. His earnings to date for this year are \$24,000. How much is deducted this month for Social Security? How much for Medicare? _____
2. Lazaro Lopez, a store manager, has a gross weekly income of \$721.15. His earnings to date for this year total \$25,240.25. How much is deducted from his paycheck this week for Social Security? How much for Medicare? _____
3. Maria Whetstone, a boiler operator, has a gross weekly income of \$502.16. Her earnings to date for this year are \$20,086.40. How much is deducted from her paycheck this week for Social Security? How much for Medicare? _____
4. Adam Zetts is an aerospace engineer. He earns \$78,000 a year and is paid on a semimonthly basis. How much is deducted per pay period for Social Security? How much for Medicare? _____
5. Renae Walters is paid a salary of \$8,000 per month.
 - a. How much is deducted in January for Social Security? For Medicare? _____
 - b. How much is deducted in December for Social Security? For Medicare? _____
6. Cleveland Woods earns \$126,000 per year. He is paid monthly.
 - a. How much is deducted in August for Social Security? For Medicare? _____
 - b. How much is deducted in September for Social Security? For Medicare? _____
 - c. How much is deducted in October for Social Security? For Medicare? _____
7. In a few years the Social Security tax rate could be 6.2 percent of the first \$90,000. Rework Problem 6 using this information. _____