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.

Tax Withheld = Gross Pay × 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.