

Name _____

Payday Puzzles: Unraveling the Mysteries of Payroll Taxes!

Short Answer Key

1. The purpose of the Social Security tax is to support retirees, people with disabilities, and survivors of deceased workers. The employee's contribution rate is 6.2% of earnings, up to a certain limit. Employers also contribute 6.2% on the employee's behalf.
2. The Medicare tax is calculated at a rate of 1.45% of total earnings, with no income limit. All of an individual's earnings are subject to Medicare tax.
3. The additional Medicare tax applies when a single filer's income exceeds \$200,000 or when married individuals filing jointly have a combined income exceeding \$250,000. It adds an extra 0.9% tax on income above these thresholds.
4. Assuming they're single filers, their Social Security tax would be 6.2% of \$80,000, and their Medicare tax would be 1.45% of \$80,000. Additional Medicare tax wouldn't apply in this scenario.
5. It's important to understand payroll taxes and how they're calculated because they fund critical government programs that provide financial security and healthcare services. Contributing to these programs through payroll taxes is an investment in one's own future.

