

Name _____

Payday Puzzles: Unraveling the Mysteries of Payroll Taxes!

Open-Ended Response Answer Key

1. If someone earns \$150,000 per year, their Social Security tax would be 6.2% of the income up to the limit of \$147,000, which equals \$9,114. Their Medicare tax would be 1.45% of the entire \$150,000, which equals \$2,175. Additionally, if applicable, they would pay an extra 0.9% on the amount over the threshold, which is \$3,000 in this case.
2. Payroll taxes are significant because they fund vital government programs that provide financial security and healthcare services to individuals. Understanding and contributing to these programs is essential for maintaining a social safety net and ensuring the well-being of the population.
3. Someone earning \$50,000 per year would pay less in Social Security and Medicare taxes than someone earning \$100,000 per year. The exact amounts would depend on the specific rates and income limits, but in general, the higher earner would pay more in both taxes due to their higher income.
4. Changes in income, such as a salary increase or decrease, can directly affect the amount of payroll taxes an individual pays. For example, a salary increase would result in higher tax amounts, while a salary decrease would lead to lower tax amounts. This is because payroll taxes are calculated as percentages of earnings, so changes in income directly impact the tax calculations.

