



Social Security and Medicare Taxes

Vocab:

Social Security -

For older people.
- pay in now; get out later.
- 67 years old to withdraw

6.29% of
97,500

Medicare -

For older people
1.45% → like health insurance.

LESSON
2.4

EXAMPLE

Riley Henderson's gross biweekly pay as a manufacturing parts inspector is \$728. His earnings to date for the year total \$26,208. What amount does his employer deduct from his pay this pay period for Social Security taxes? What are his Medicare taxes? What is the total deduction? His earnings to date are less than \$97,500.

$$SS. 0.062(728) = \$45.14$$

$$Med. 0.0145(728) = \$10.56$$

$$\boxed{\$55.70}$$

**LESSON
2.4**

Find the amount withheld for Social Security and Medicare, and total deductions. Check your answers in the back of the book.

1. Monthly salary: \$3,100
Earnings to date: \$15,500

S.S. $0.062(3100)$
 $\boxed{\$192.20}$

Med: $0.0145(3100)$
 $\boxed{\$44.95}$

$$\begin{array}{r} 192.20 \\ + 44.95 \\ \hline \boxed{\$237.15} \end{array}$$

2. Weekly salary: \$350
Earnings to date: \$16,800

S.S. $0.062(350)$
 $\boxed{\$21.70}$

Med $0.0145(350)$
 $\boxed{\$5.08}$

total: $\boxed{\$26.78}$

LESSON
2.4

For Problems 3–6, use the Social Security tax rate of 6.2% and Medicare tax rate of 1.45% to determine each tax and the total deduction.

	Gross Pay	Soc. Sec. Tax Withheld	Medicare Tax Withheld	Total Deduction
3.	\$ 125.00	a. \$	b. \$	c. \$

Handwritten calculations and arrows:

- Red box: $0.062(125) = \$7.75$. An arrow points from this box to the 'Soc. Sec. Tax Withheld' cell.
- Green box: $0.0145(125) = \$1.81$. An arrow points from this box to the 'Medicare Tax Withheld' cell.
- Blue box: $\$9.56$. An arrow points from this box to the 'Total Deduction' cell.



Group Health Insurance

Vocab:

Group Insurance - a n employer sponsored medical insurance offered to full-time employees.

LESSON
2.5

EXAMPLE 1

Nadine McClure is a carpenter for Ozark Construction Company. She has family **medical** coverage through Ozark's group medical plan. The annual cost of Nadine's family membership is \$9,800. The company pays 75% of the cost. How much does she have deducted from her biweekly paycheck for medical insurance?

$$\begin{array}{l} 75\% \\ \text{you pay } 25\% \\ 0.25(9800) = \$2450 \\ \hline 26 = \boxed{\$94.23} \end{array}$$


**LESSON
2.5**

Find the deduction per pay period. Check your answers in the back of the book.

1. Annual cost of insurance:
\$6,570; employer pays 70%;
12 pay periods

you owe 30%

$$0.30(6570) = \frac{\$1971}{12}$$

$\$164.25$

2. Annual cost of insurance:
\$12,000; employer pays 80%;
52 pay periods

$$0.20(12000) = \frac{\$2400}{52}$$

$\$46.15$

LESSON
2.5**EXAMPLE 2** Algebra

Kim Choi pays \$115.80 per month for her group medical coverage. Her employer pays 55% of the cost. How much is the annual premium for Kim's health insurance?

$$12 \left(\frac{0.45(x)}{12} \right) = (115.80) 12$$

$$\begin{array}{r} 0.45 \cancel{x} = 1389.60 \\ \hline 0.45 \end{array}$$

$$x = 3088$$

LESSON
2.5

Complete the problems. Check your answers in the back of the book.

3. Lars Olsen authorized a deduction of \$163.75 from his monthly pay for group health insurance. His employer pays 45% of the cost. What is the annual premium amount for his group health insurance?

$$\cancel{12} \left(\frac{0.55(X)}{\cancel{12}} \right) = (163.75)12$$

$$\frac{0.55x}{0.55} = \frac{1965}{0.55}$$

$$X = \$3572.73$$

LESSON
2.5

Complete the problems. Check your answers in the back of the book.

4. Rhonda Martin has \$215.25 deducted from her semimonthly pay for group health insurance. Rocky Mountain Auto Parts, her employer, pays 60% of the cost. What is the annual premium amount for Rhonda's group health insurance?

$$\cancel{24} \left(\frac{0.40(x)}{\cancel{24}} \right) = (215.25) \cancel{24}$$

$$\frac{0.40x}{\cancel{0.40}} = \frac{5166}{\cancel{0.40}}$$

$$X = \$12,915$$