

## SOCIAL SECURITY AND MEDICARE

**Objective:**  
**Understand**

**Compute**

### Social Security and Medicare

- They are government programs that are paid for by
- They are combined and called
- Employers match
- Social Security – It provides income for people after
- Medicare – It is a government
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### Paying for Medicare

- The amount you pay depends on
- There is a percentage that is taken out of
- Currently it is \_\_\_\_\_ for both you and your employer.

### Paying for Social Security

- The amount you pay depends on
- There is a percentage that is taken out of every paycheck
- Currently it is \_\_\_\_\_ for both you and your employer.
- You currently pay this tax for income

### Steps to calculate FICA

Med

Step 1: Determine the Medicare tax

$$\text{Medicare tax} = \text{Gross income} \times \% \text{ tax}$$

Step 2: Determine the amount of income eligible for SS tax

**Qualifier =**

**Annual Gross Income – Max**

- **If positive:**  
**Eligible amount = Max**
- **If negative:**  
**Eligible amount = Gross income**

Step 3: Determine the SS tax

$$\text{Social Security tax} = \text{Eligible amount} \times \% \text{ tax}$$

FICA

Step 4: Determine the FICA tax

$$\text{FICA tax} = \text{Medicare tax} + \text{SS tax}$$

Note: Unless otherwise stated use the current rates

### Example 1

This year Ramiro earned \$73,210.

a. How much did he pay for Medicare taxes?

Step(s) \_\_\_\_\_:

b. How much did his employer pay for Medicare taxes?

Step(s) \_\_\_\_\_:

c. How much did he pay for Social Security taxes?

Step(s) \_\_\_\_\_:

Qualifier =

Eligible amount =

SS tax =

d. How much did his employer pay for Social Security taxes?

Step(s) \_\_\_\_\_:

e. How much did Ramiro pay for FICA taxes?

Step(s) \_\_\_\_\_:

### Example 1 – You try it!

Lisa made a total of \$220,000 this year.

a. How much did she pay for Medicare taxes?

Step(s) \_\_\_\_\_:

b. How much did her employer pay for Medicare taxes?

Step(s) \_\_\_\_\_:

c. How much did she pay for Social Security taxes?

Step(s) \_\_\_\_\_:

d. How much did her employer pay for Social Security taxes?

Step(s) \_\_\_\_\_:

e. How much did Lisa pay for FICA taxes?

Step(s) \_\_\_\_\_:

### Example 4

In 1988, Social Security tax was 7.51%, to the maximum income of \$45,000. If Grace earned \$51,211 in 1988, how much Social Security did she pay?

Step(s) \_\_\_\_\_:

Qualifier =

Eligible amount =

SS tax =

### Example 5

In 1988, Social Security tax was 7.51%, to the maximum income of \$45,000. In 1988 Ramona paid \$2,853.80 in Social Security tax. What was Ramona's **eligible** Social security income in 1988?

Step(s) \_\_\_\_\_:

### Assignment 5-5

Read Pages: 320 to 322

Do Page 323: #2-5a, 8, 16, 17 (SKIP 4d)