**Salary Taxes Guided Notes and Examples for Students**

is a federal program that provides retirement and disability income. The program is funded through tax withholdings from employees’ pay. Social Security withholding is **\_\_\_** % of the employee’s gross pay. The employer also pays that same amount. All employees must pay this until they reach the wage base limit. Earnings above the wage base limit are generally not subject to social security tax. The wage base limit for this year is **\_\_\_\_\_\_\_\_\_\_\_\_\_**.

provides medical coverage to both the elderly and disabled. This program is also funded through payroll tax withholdings. Medicare withholding **\_\_\_\_** % of the employee’s gross pay. The employer also pays that amount. There is no wage base limit for the Medicare withholding. This means that the Medicare withholdings tax applies to the entire salary to each dollar of pay.

All wages paid in excess of this year will be subject to an extra **\_\_\_\_** % Medicare tax withholding that will be withheld from employees’ wages.

The Federal Insurance Contributions Act (FICA) tax rate is the combined Social Security tax rate and the Medicare tax rate up to the Social Security wage base.

*Example:*

Beth earns $20/hour and works 40 hours per week.

1. How much does she earn each week before Social Security and Medicare are taken off?

Beth earns $20/hour \* 40 hours/week = $ per week. Even if she worked 52 weeks, her salary of $ /week \* 52 weeks = $  is well under the Social Security wage base limit. It is also under the threshold for having to pay an extra percentage for Medicare.

1. How much does she earn after Social Security and Medicare taxes are taken off?

Social Security tax rate: **\_\_\_\_** % of Beth’s weekly salary is:

Medicare Tax Rate: **\_\_\_\_** % of Beth’s weekly salary is:

So, her weekly salary minus the amounts withheld for Social Security and Medicare is: