Lesson Title & Section #: 6-5 Social Security and Medicare

Lesson Essential Question: How do you compute paycheck deductions for Social Security?

Discussion: What are social security and medicare?

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Social Security: A government system that provides monetary assistance to those disabled or over 65 yrs. old (retired)

Federal Insurance Contributions Act (FICA): The law that established Social Security in 1935.

FICA Tax: Tax category that includes Social Security tax and Medicare tax.

Social Security Tax: "A percentage of money taken out of 'each paycheck" to pay for the Social Security program.

Medicare Tax: " " to pay for the Medicare program.

Maximum Taxable Income: The highest amount of income you can be taxed on for that year.

Social Security Number: Unique 9-digit number for each person that keeps track of how much you pay into each program.

Example 1
    Ramiro got his first job in 2006. In that year, Social Security tax was 6.2% of income up to $94,200. Medicare tax was 1.45%. If Ramiro earned $73,210 in 2006, how much did he pay for Social Security and Medicare taxes?

$$73,210 \times .062 = \$4,539.02 \text{ Social Security Tax}$$

$$73,210 \times .0145 = \$1,061.55 \text{ Medicare Tax}$$

$$\text{Total} = 4539.02 + 1061.55 = \boxed{\$5,600.57} \text{ Total tax}$$

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Example 2

   Express the Social Security tax for 2006 as a piecewise function.

x = Total Income

1. when less than 94200, 6.2% of income

2. when greater than or = 94200, 6.2% of 94,200

$$S(x) = \begin{cases} .062x & \text{when } x \leq 94,200 \\ 5,840.40 & \text{when } x > 94,200 \end{cases}$$
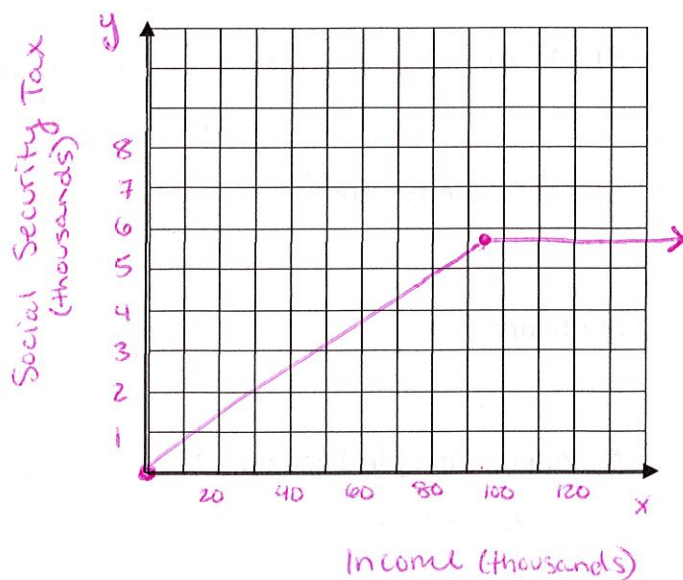
(.062 × 94200)
= $5,840.40

Example 3

   Graph the Social Security tax piecewise function from Example 2.

Highest tax? 5,840.40

Max income? 150,000

Plot (0,0) and (94.2, 5.84)

Social Security Tax (thousands)

Income (thousands)

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?

51,211 > 45,000

so   45,000 × .0751 = $3,379.50

Social Security Tax