

Learning Plan 7

Chapter 7

Questions 1 & 2

(pages 224-225 in the textbook)

Find the Social Security tax and the Medicare tax paid by Roger Fosia for the current pay period. Assume all Roger's earnings are subject to both taxes and that the FICA rate is 6.2% and the Medicare rate is 1.45%.

Employee	Earnings Current Pay Period	FICA @ 6.2%	Medicare @ 1.45%
Fosia, R.	\$539.84		

Solution

What is the FICA tax deducted from Roger's current gross earnings?
(Round to the nearest cent).

$$6.2\% = 0.062$$
$$0.062 \cdot 539.84 = 33.47008 \approx 33.47$$

What is the Medicare deduction from Roger's current gross earnings?
(Round to the nearest cent).

$$1.45\% = 0.0145$$
$$0.0145 \cdot 539.84 = 7.82768 \approx 7.83$$

Questions 3 & 4

Find the Social Security tax for the employee for the current pay period. Assume a 6.2% FICA rate up to a maximum of \$115,000.

Employee	Gross Earnings This Year (So Far)	Earnings Current Pay Period	Social Security Tax
A	\$111,086.11	\$6304.48	

Solution

What is the Social Security Tax? (Round to the nearest cent).

$$115,000 - 111,086.11 = 3,913.89$$
$$0.062 \cdot 3,913 = 242.66118 \approx 242.66$$

Questions 5-8

Find the regular earnings, overtime earnings, gross earnings, Social Security (FICA) deduction at 6.2%, Medicare deduction at 1.45%, and the State Disability (SDI) deduction at 1% for Marvin Parrera. At the end of this pay period Marvin's will still be below the FICA and SDI and SDI maxima. He is paid at a time-and-a-half rate for hours in excess of 40.

Employee	Hours	Reg. Rate	Earnings			Deductions		
			Regular	Overtime	Gross	FICA	Medicare	SDI
Parrera, M.	52.8	\$9.20				\$	\$	\$

Solution

What are Marvin's regular earnings?

$$40 \text{ hours} \cdot \$9.20 = \$368$$

What are Marvin's regular earnings?

$$52.8 \text{ hours} - 40 \text{ hours} = 12.8 \text{ hours}$$

The overtime (time-and-a-half) rate is:

$$1.5 \cdot \$9.20 = \$13.8$$

$$12.8 \text{ hours} \cdot \$13.8 = \$176.64$$

What are Marvin's gross earnings?

$$\$368 + \$176.64 = \$544.64$$

What is Marvin's Social Security Deduction? (Round to the nearest cent).

$$0.062 \cdot 544.64 = \$33.76768 \approx \$33.77$$

What is Marvin's Medicare Deduction? (Round to the nearest cent).

$$0.0145 \cdot \$544.64 = \$7.89728 \approx \$7.90$$

What is Marvin's State Disability Insurance Deduction? (Round to the nearest cent).

$$0.01 \cdot \$544.64 = \$5.4464 \approx \$5.45$$

Questions 9-10

Tim Mogilnitski is a self-employed researcher. He pays FICA at a rate of 12.4% and Medicare at a rate of 2.9%. Find the dollar amount of these taxes on the annual adjusted earnings of \$35,199.51.

Solution

Tim's FICA Tax is:

$$0.124 \cdot \$35,199.51 = \$4,364.73924 \approx \$4364.74$$

Tim's Medicare tax is:

$$0.029 \cdot \$35,199.51 = \$1,020.78579 \approx \$1,020.79$$