

# Social Security Taxes Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

**This is a sample study guide. To access the full version with hundreds of questions,**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## 1. Start with a Diagnostic Review

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## 2. Study in Short, Focused Sessions

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## 3. Learn from the Explanations

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## 4. Track Your Progress

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## 5. Simulate the Real Exam

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## 6. Repeat and Review

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## 7. Use Other Tools

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## **Questions**

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- 1. Which of the following is true about the employee's FICA tax liability?**
  - A. The employee's liability ends when the employer withholds the tax**
  - B. The employee can always get a refund for overpayment**
  - C. The employer is solely responsible for the tax payment**
  - D. The employee continues to have liability even after withholding**
- 2. What percentage of an employee's gross wages is deducted for Social Security taxes?**
  - A. 5.0%**
  - B. 6.2%**
  - C. 7.5%**
  - D. 8.0%**
- 3. What is the maximum taxable income for Social Security?**
  - A. It is unlimited**
  - B. Set annually by the government**
  - C. Dependent on individual income level**
  - D. Average wage index based limit**
- 4. What is the self-employment tax rate for Social Security?**
  - A. 10.5%**
  - B. 12.4%**
  - C. 15.3%**
  - D. 20.0%**
- 5. Is it true that the Social Security Act requires workers to obtain a new account number each time they change jobs?**
  - A. True**
  - B. False**
  - C. Only if they move to a different state**
  - D. Only for positions with different salary levels**

**6. What is the main purpose of the Social Security Disability Insurance (SSDI) program?**

- A. To benefit retired individuals only**
- B. To provide benefits to disabled individuals who cannot work**
- C. To assist families with children**
- D. To fund retirement plans**

**7. What type of adjustments might affect Social Security benefits over time?**

- A. Inflation adjustments only**
- B. Cost-of-living adjustments or changes in earnings**
- C. Adjustments for health care costs only**
- D. No adjustments are made**

**8. Is sick pay from an employer considered taxable if it exceeds a certain duration?**

- A. Yes**
- B. No**
- C. Only if it is more than 50% of the pay**
- D. Depends on the type of illness**

**9. Which of the following is NOT a reason work credits are important?**

- A. They determine eligibility for benefits**
- B. They serve as a basis for calculating tax returns**
- C. They measure a worker's qualification for Social Security benefits**
- D. They track the amount of time worked**

**10. Is there a penalty for late filing of Form 941 if tax deposits are made on time?**

- A. Yes**
- B. No**
- C. Only if the amount is substantial**
- D. Only for late deposits**

## **Answers**

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1. D
2. B
3. B
4. B
5. B
6. B
7. B
8. A
9. B
10. B

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## **Explanations**

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**1. Which of the following is true about the employee's FICA tax liability?**

- A. The employee's liability ends when the employer withholds the tax**
- B. The employee can always get a refund for overpayment**
- C. The employer is solely responsible for the tax payment**
- D. The employee continues to have liability even after withholding**

The correct statement about the employee's FICA tax liability is that the employee continues to have liability even after withholding. This is because FICA taxes, which include Social Security and Medicare taxes, are considered a liability for the employee as part of their overall tax obligations. When an employer withholds FICA taxes from an employee's paycheck, it is true that the amount deducted must be remitted to the IRS; however, this does not eliminate the employee's responsibility for the total FICA tax owed on their earnings. The amount withheld is merely a prepayment of the tax liability that is calculated based on the employee's total annual income. If too much tax is withheld, the employee might be able to claim a refund when they file their tax return, but the underlying liability for the FICA tax remains throughout the year and must be settled with the IRS. This understanding is crucial for employees to recognize that they still have a financial responsibility to ensure that the correct amount of taxes are being paid throughout the year, regardless of the withholding practices of their employer.

**2. What percentage of an employee's gross wages is deducted for Social Security taxes?**

- A. 5.0%**
- B. 6.2%**
- C. 7.5%**
- D. 8.0%**

The percentage of an employee's gross wages that is deducted for Social Security taxes is 6.2%. This rate is established by the federal government under the Federal Insurance Contributions Act (FICA), which mandates the collection of Social Security taxes to fund the program that provides benefits to retirees, disabled individuals, and survivors of deceased workers. The 6.2% rate applies to earnings up to a certain income threshold, which is adjusted annually. Understanding this rate is essential, as it directly impacts the withholding from employees' paychecks. Additionally, employers match this percentage, contributing an additional 6.2% for each employee. This dual contribution model helps ensure robust funding for the Social Security program, making it vital for workers to be aware of these deductions and their implications for future benefits. Being informed about the accurate percentage of Social Security tax is crucial for both employees and employers, as it plays a significant role in financial planning and understanding overall tax obligations.

### 3. What is the maximum taxable income for Social Security?

- A. It is unlimited
- B. Set annually by the government**
- C. Dependent on individual income level
- D. Average wage index based limit

The maximum taxable income for Social Security is set annually by the government. This means that there is a specific limit on the amount of an individual's earnings that are subject to Social Security taxes for each tax year. Each year, the Social Security Administration reviews and adjusts this limit based on various economic factors, including changes in the national average wage index. This mechanism helps maintain the program's financial stability and ensures that contributions are proportionate to the wage growth of workers. The other options involve misconceptions about how the taxable income limit is determined. For example, stating it is unlimited would incorrectly suggest there is no cap on earnings subject to tax. Similarly, the notion that it is dependent solely on individual income levels or an average wage index limit without the annual adjustment misses the key fact that the government formally sets and announces this limit each year.

### 4. What is the self-employment tax rate for Social Security?

- A. 10.5%
- B. 12.4%**
- C. 15.3%
- D. 20.0%

The self-employment tax rate for Social Security is indeed 12.4%. This rate is specifically designated for Social Security contributions and is part of the larger self-employment tax that also includes Medicare taxes. The self-employment tax is imposed on net earnings from self-employment, and it functions similarly to the payroll taxes that employees pay which fund Social Security and Medicare programs. To elaborate, the 12.4% rate is applied to self-employed individuals' earnings up to a certain income cap, which is subject to change each year based on wage growth. This specific rate only covers the Social Security portion, while the overall self-employment tax rate, which also includes the Medicare portion, totals 15.3%. Understanding that the 12.4% rate aligns with Social Security contributions helps clarify the funding structure of this vital program for self-employed individuals.

**5. Is it true that the Social Security Act requires workers to obtain a new account number each time they change jobs?**

- A. True**
- B. False**
- C. Only if they move to a different state**
- D. Only for positions with different salary levels**

The Social Security Act does not require workers to obtain a new account number each time they change jobs. Once an individual is assigned a Social Security number, it remains their number for life, regardless of job changes or even if they move to a different state. The purpose of the Social Security number is to track an individual's earnings and contributions to Social Security over their lifetime, so continuity is essential. Having a consistent number allows for accurate maintenance of records related to benefits and contributions. This system simplifies the administration of Social Security and ensures that benefits are properly calculated based on an individual's total earnings history. Thus, the assertion that a new account number is necessary when changing jobs is false.

**6. What is the main purpose of the Social Security Disability Insurance (SSDI) program?**

- A. To benefit retired individuals only**
- B. To provide benefits to disabled individuals who cannot work**
- C. To assist families with children**
- D. To fund retirement plans**

The main purpose of the Social Security Disability Insurance (SSDI) program is to provide financial assistance to disabled individuals who are unable to work due to their medical conditions. SSDI serves as a safety net for those who have contributed to the Social Security system through payroll taxes during their working years. When these individuals become disabled and lose their ability to earn income, SSDI offers them financial support to help maintain their livelihood. The program specifically targets adults who have a qualifying disability, ensuring they have access to benefits that can cover essential living expenses. This is crucial, as it allows disabled individuals to concentrate on their health and recovery without the added stress of financial instability.

**7. What type of adjustments might affect Social Security benefits over time?**

- A. Inflation adjustments only**
- B. Cost-of-living adjustments or changes in earnings**
- C. Adjustments for health care costs only**
- D. No adjustments are made**

The correct choice highlights two key adjustments that can significantly impact Social Security benefits over time: cost-of-living adjustments (COLAs) and changes in earnings. Cost-of-living adjustments are periodically applied to Social Security benefits to ensure that the purchasing power of benefits keeps pace with inflation. This means that as the cost of living rises, Social Security benefits are adjusted upward accordingly, helping beneficiaries maintain their standard of living. Changes in earnings also play a critical role in determining Social Security benefits. The benefits are based on an individual's highest 35 years of earnings, and if a person earns more in subsequent years than they did in the past, their benefit amount may increase as a result. This reflects the Social Security system's design, which aims to provide adequate support based on an individual's economic contributions over their working life. This understanding is important for beneficiaries to maximize the support they receive from Social Security, as both COLAs and changing earnings can enhance their benefits as they age.

**8. Is sick pay from an employer considered taxable if it exceeds a certain duration?**

- A. Yes**
- B. No**
- C. Only if it is more than 50% of the pay**
- D. Depends on the type of illness**

Sick pay from an employer is generally considered taxable income if it exceeds a certain duration because it is treated similarly to regular wages for tax purposes. The IRS requires that wages, including sick pay, be subject to income tax withholding, Social Security taxes, and Medicare taxes. When sick pay is provided as a continuation of regular salary, particularly if it is paid for a prolonged period, it falls under the same category as compensation for work performed, thus making it taxable. This treatment ensures that any income received by employees, regardless of the circumstances surrounding its receipt, is uniformly subject to taxation. In this context, the duration of the sick pay can trigger taxability, as shorter periods may be offered as part of a disability plan that could have different tax implications. However, the standard rule is that once sick pay becomes a part of the employee's income over a certain length of time, it is treated as regular income.

**9. Which of the following is NOT a reason work credits are important?**

- A. They determine eligibility for benefits**
- B. They serve as a basis for calculating tax returns**
- C. They measure a worker's qualification for Social Security benefits**
- D. They track the amount of time worked**

Work credits are an essential aspect of how Social Security determines eligibility and benefits for individuals who have paid into the system. Each of the options highlights different roles that work credits play in relation to Social Security, but one of them does not relate directly to their purpose. The role that work credits play in determining eligibility for benefits and measuring a worker's qualifications is crucial. To qualify for Social Security benefits such as retirement, disability, or survivor benefits, individuals must earn a minimum number of work credits over their working lifetime. Therefore, these credits serve as a direct measure of a person's contributions to the Social Security system and their entitlement to benefits. Additionally, work credits can be used to track the amount of time a worker has been employed and contributing to Social Security, further establishing their eligibility and qualification for benefits. However, work credits do not serve as a basis for calculating tax returns. Tax returns are based on income earned, deductions, and other tax laws, rather than work credits accumulated. Thus, while work credits are tied to an individual's ability to claim Social Security benefits, they do not play any role in the calculations performed for income tax returns. This distinction makes the rationale for the selection of the option clear.

**10. Is there a penalty for late filing of Form 941 if tax deposits are made on time?**

- A. Yes**
- B. No**
- C. Only if the amount is substantial**
- D. Only for late deposits**

The situation regarding late filing of Form 941, which is the Employer's Quarterly Federal Tax Return, is nuanced. When a business makes its tax deposits on time, it is important to note that there is generally no penalty for late filing of Form 941 itself. The rationale behind this is that the primary obligation is to ensure that the tax liabilities are paid on time. When the deposits are punctual, the IRS recognizes that the employer has fulfilled the most critical requirement — to remit the taxes owed on time. Consequently, a late filed Form 941 does not incur a penalty as long as the tax deposits were made correctly and on schedule. It is important for employers to comply with filing deadlines to avoid any administrative issues, but the rule provides some leeway by not imposing penalties when tax deposits are timely submitted. This highlights the importance of understanding the differing obligations of filing and paying tax liabilities.

# Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://socialsecuritytaxes.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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