

Social Security Taxes Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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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. 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.

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. 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!

Questions

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- 1. What does Dependency and Indemnity Compensation (DIC) provide?**
 - A. Benefits for low-income families**
 - B. Compensation for injured workers**
 - C. Benefits for survivors of service members who died in duty**
 - D. A retirement savings program**

- 2. What is the impact of FICA on self-employed persons?**
 - A. They pay higher taxes**
 - B. They are exempt from taxes**
 - C. They are subject to the same rate as employees**
 - D. They only pay on part of their earnings**

- 3. Are the FICA tax rates and taxable wage bases the same for both the employee and employer if the employee earns \$200,000 or less?**
 - A. Yes**
 - B. No**
 - C. Only for federal employees**
 - D. Varies by state**

- 4. Which of the following payments is not taxable for FICA?**
 - A. Back-pay awards**
 - B. Severance pay**
 - C. Wage supplements to cover difference between employees' salaries and military pay**
 - D. Retroactive wage increase**

- 5. Can Social Security taxes be reclaimed on a tax return?**
 - A. Yes, under specific conditions**
 - B. No, they cannot be reclaimed**
 - C. Yes, for all taxpayers**
 - D. Only for self-employed individuals**

6. Which of the following statements is true regarding Form 941?

- A. Employers file it with any IRS location**
- B. Employers file it online only**
- C. Employers file it with the IRS center in their business region**
- D. Employers do not need to file Form 941 if they have no employees**

7. What can be said about cash tips under FICA?

- A. All cash tips must be reported**
- B. Only large cash tips are taxable**
- C. Cash tips less than \$100 are exempt**
- D. Only cash tips over \$200 are taxed**

8. What is the Windfall Elimination Provision?

- A. A policy enhancing benefits for low-income workers**
- B. A law reducing benefits for those with non-Social Security pensions**
- C. A type of credit applied to Social Security taxes**
- D. A bonus for long-term contributors to Social Security**

9. Can employers exclude the total amount of tips reported by tipped employees when calculating their FICA taxes?

- A. Yes**
- B. No**
- C. Only for certain employees**
- D. Only if tips are below a certain threshold**

10. What is the primary eligibility requirement for receiving Social Security benefits?

- A. Minimum number of earnings credits**
- B. Age requirement of 65 or older**
- C. Completion of a specific number of tax reports**
- D. Residency for at least 10 years**

Answers

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

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Explanations

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1. What does Dependency and Indemnity Compensation (DIC) provide?

- A. Benefits for low-income families**
- B. Compensation for injured workers**
- C. Benefits for survivors of service members who died in duty**
- D. A retirement savings program**

Dependency and Indemnity Compensation (DIC) is a program designed to provide financial benefits to surviving spouses, children, and certain dependent parents of service members who have died while on active duty or as a result of a service-related injury or disease. The purpose of DIC is to offer support to these families in recognition of their loss and to help them with financial stability after the service member's death. The benefits under DIC can include monthly payments and access to additional support resources, ensuring that the surviving family members have some level of assistance following such a profound loss. This is a specific program focused on the survivors of military personnel, distinguishing it from other benefits that may relate to income support for low-income families or retirement savings.

2. What is the impact of FICA on self-employed persons?

- A. They pay higher taxes**
- B. They are exempt from taxes**
- C. They are subject to the same rate as employees**
- D. They only pay on part of their earnings**

Self-employed individuals are required to pay Federal Insurance Contributions Act (FICA) taxes, which fund Social Security and Medicare, similar to employees. However, the key point is that while employees share this tax burden evenly with their employers (each paying half), self-employed individuals must cover the full amount themselves, which effectively results in a higher tax obligation when compared to employees who benefit from their employer's contribution. Self-employed persons pay the self-employment tax, which encompasses both the employee and employer portions of FICA taxes. This means they are subject to the same overall tax rate as employees, although they are responsible for the entire amount rather than just half. Thus, self-employed individuals experience a higher effective tax rate in practice, but the FICA rate they are subject to in terms of the components included is the same as that for employed individuals.

3. Are the FICA tax rates and taxable wage bases the same for both the employee and employer if the employee earns \$200,000 or less?

- A. Yes**
- B. No**
- C. Only for federal employees**
- D. Varies by state**

The answer is that the FICA tax rates and taxable wage bases are indeed the same for both the employee and employer for earnings of \$200,000 or less. When it comes to the Federal Insurance Contributions Act (FICA) tax, both the employee and the employer contribute at a standard rate of 6.2% for Social Security and an additional 1.45% for Medicare. This means that each party pays the same rate on the employee's wages up to the Social Security wage base limit, which for 2023 is set at \$160,200, and this figure is subject to annual cost-of-living adjustments. In addition, for Medicare, there is no wage base limit, meaning both parties will continue to pay the 1.45% tax on all wages earned. For employees with wages exceeding \$200,000, employers are required by law to withhold an additional 0.9% Medicare tax on the excess, which the employer is not responsible for matching. However, this situation does not apply to those earning \$200,000 or less, where the rates remain the same. Thus, the answer accurately reflects that the FICA tax structure is universally applied to employees and employers at the specified income level, reinforcing

4. Which of the following payments is not taxable for FICA?

- A. Back-pay awards**
- B. Severance pay**
- C. Wage supplements to cover difference between employees' salaries and military pay**
- D. Retroactive wage increase**

Wage supplements designed to cover the difference between employees' salaries and military pay are not taxable for FICA (Federal Insurance Contributions Act) purposes because they are typically categorized as benefits rather than wages for employment. When employees are called to active military service, employers may offer these supplements to ensure their income remains stable. Since these payments are not technically considered compensation for services rendered but rather support for employees during a specific circumstance, they are exempt from FICA taxation. In contrast, back-pay awards, severance pay, and retroactive wage increases are all considered forms of compensation for services, which makes them taxable under FICA. These types of payments directly relate to employment and are intended as remuneration for work completed or as a result of employment termination, hence they fall under FICA's purview. Understanding the distinction between what constitutes wages versus benefits is crucial in determining taxability under FICA.

5. Can Social Security taxes be reclaimed on a tax return?

- A. Yes, under specific conditions
- B. No, they cannot be reclaimed**
- C. Yes, for all taxpayers
- D. Only for self-employed individuals

Social Security taxes, which are part of the Federal Insurance Contributions Act (FICA), are mandatory payroll taxes that fund the Social Security program. Unlike some other taxes, such as income taxes, Social Security taxes are not designed to be reclaimed or refunded on your tax return. Instead, they are collected to fund benefits such as retirement, disability, and survivor benefits for current and future beneficiaries.

Typically, the amount withheld for Social Security tax is calculated based on your wages and is paid directly to the Social Security Administration. Once these funds are paid, they are not subject to reclamation via a tax return, regardless of the taxpayer's income level or employment status. Once collected, these taxes contribute to the Social Security Trust Fund and do not create a credit that can be returned to the taxpayer. It is important to note that individuals may find credits or deductions available for income taxes on their returns, but Social Security taxes specifically do not fall under those provisions. This highlights why the assertion that Social Security taxes cannot be reclaimed on a tax return stands correct.

6. Which of the following statements is true regarding Form 941?

- A. Employers file it with any IRS location
- B. Employers file it online only
- C. Employers file it with the IRS center in their business region**
- D. Employers do not need to file Form 941 if they have no employees

Employers are required to file Form 941, which is the Employer's Quarterly Federal Tax Return, specifically with the IRS center designated for their business region. This form is essential for reporting income taxes withheld from employee wages as well as the employer's portion of Social Security and Medicare taxes. Filing with the correct IRS center ensures that the form reaches the appropriate office responsible for processing tax returns in that region, facilitating accurate and timely management of tax obligations. While the 941 can be filed electronically, it can also be submitted via mail, therefore making the requirement to file online only inaccurate. Additionally, if a business has no employees, it generally does not have to file Form 941, but the stipulation about submitting it to the correct IRS center remains crucial for those that do have employees.

7. What can be said about cash tips under FICA?

- A. All cash tips must be reported**
- B. Only large cash tips are taxable**
- C. Cash tips less than \$100 are exempt**
- D. Only cash tips over \$200 are taxed**

The correct understanding of cash tips under FICA (Federal Insurance Contributions Act) revolves around the requirement for reporting various amounts. In particular, cash tips must be reported if they meet a certain threshold. When it comes to cash tips, the IRS requires that any gratuity amount of \$20 or more received in a single month from customers must be reported by the employee receiving those tips. Therefore, any cash tips that are less than \$20 in a month do not need to be reported for FICA purposes. This is significant because it establishes a minimum threshold below which cash tips are exempt from reporting, contrary to the notion that all cash tips or only larger ones are taxable or reportable. Understanding this context helps clarify the nuances of cash tips and their interaction with FICA requirements, emphasizing that not all cash tips are treated the same and that smaller amounts can go unreported.

8. What is the Windfall Elimination Provision?

- A. A policy enhancing benefits for low-income workers**
- B. A law reducing benefits for those with non-Social Security pensions**
- C. A type of credit applied to Social Security taxes**
- D. A bonus for long-term contributors to Social Security**

The Windfall Elimination Provision (WEP) is a specific component of Social Security policy that is designed to adjust the benefits of individuals who receive pensions from employment not covered by Social Security. This includes various state and local government jobs where Social Security taxes were not deducted from paychecks. When someone has worked in both Social Security-covered employment (where they have paid into the system) and non-covered employment (where they may receive a pension), the WEP can reduce their Social Security benefits. The rationale behind this provision is to account for the fact that those individuals may not have contributed as much to the Social Security system relative to those who have consistently paid into it throughout their careers. Therefore, the WEP helps ensure that benefits align more closely with contributions made to the Social Security system, thereby maintaining the integrity of the program. In summary, the Windfall Elimination Provision reduces Social Security benefits for individuals who have a pension from work not covered by Social Security, making option B the correct answer.

9. Can employers exclude the total amount of tips reported by tipped employees when calculating their FICA taxes?

- A. Yes**
- B. No**
- C. Only for certain employees**
- D. Only if tips are below a certain threshold**

Employers cannot exclude the total amount of tips reported by tipped employees when calculating their FICA taxes. FICA, which stands for the Federal Insurance Contributions Act, includes Social Security and Medicare taxes that are imposed on earnings. When tipped employees receive tips, these amounts are considered income and must be reported accurately by both the employee and the employer. The reasoning behind this regulation is that FICA taxes are assessed on all forms of compensation. The income from tips contributes to employees' overall earnings, which is used to determine the amount of FICA taxes owed. By including tips in the calculation, employers ensure compliance with tax laws, which helps maintain the integrity of the Social Security system and ensures that all earnings, including those from tips, are subject to necessary contributions. In contrast, the other options suggest scenarios where tips could be excluded from FICA calculations, which contradicts the requirement for full reporting of wages and tips for taxation purposes.

10. What is the primary eligibility requirement for receiving Social Security benefits?

- A. Minimum number of earnings credits**
- B. Age requirement of 65 or older**
- C. Completion of a specific number of tax reports**
- D. Residency for at least 10 years**

The primary eligibility requirement for receiving Social Security benefits is indeed based on a minimum number of earnings credits. To qualify for Social Security, individuals must accumulate a certain number of credits, which are earned through work and the payment of Social Security taxes. As of now, a worker earns one credit for each quarter of work where they meet the minimum earnings threshold, up to a maximum of four credits per year. Generally, individuals need at least 40 credits, which typically equates to about 10 years of work. Achieving this minimum number of credits establishes a worker's eligibility for various types of Social Security benefits, including retirement, disability, and survivor benefits. While age and residency can play roles in the overall framework of Social Security, they are not the primary eligibility requirements. For instance, individuals can apply for retirement benefits as early as age 62, and the required age for full benefits can vary. Similarly, residency alone is not sufficient for eligibility; it's the work history that directly correlates with the credits earned that primarily determines eligibility.

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.

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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