

SOCIAL SECURITY TAXES PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

<https://socialsecuritytaxes.examzify.com>



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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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. How much of the Social Security tax is paid by employees?**
 - A. 5.9%
 - B. 6.2%
 - C. 7.5%
 - D. 8.0%
- 2. Which of the following payments may be included in an employee's taxable wages?**
 - A. Value of transportation provided for personal use
 - B. Health insurance premiums paid by the employer
 - C. Childcare benefits
 - D. Cash bonuses
- 3. What must all employers of one or more persons file for compliance with tax regulations?**
 - A. A tax exemption form
 - B. A withholding statement
 - C. An application for an identification number
 - D. A payroll report
- 4. What must an employer do if there are no taxes to report for a quarter?**
 - A. File an exemption form
 - B. Still file Form 941
 - C. Notify the IRS
 - D. They are not required to do anything
- 5. What does the Social Security Administration use to calculate future benefit amounts?**
 - A. The average of the past five years of earnings
 - B. Lifetime earnings history as included in the annual statement
 - C. The highest earning year only
 - D. Projected income based on current employment

- 6. Does the Social Security Act require self-employed persons to have an account number?**
- A. Yes, always
 - B. No, they are not required
 - C. Only if they earn above a minimum threshold
 - D. Only for tax season
- 7. Are unemployment benefits subject to Social Security tax?**
- A. Yes, they are fully taxable
 - B. Yes, but only partially taxable
 - C. No, unemployment benefits are not subject to Social Security tax
 - D. Only if the individual has other income
- 8. Are Social Security taxes withheld from bonuses?**
- A. Yes, only if the bonus exceeds a certain amount
 - B. No, bonuses are exempt from Social Security taxes
 - C. Yes, Social Security taxes are withheld from bonuses
 - D. Only for employees with a higher tax bracket
- 9. Which type of income typically has no effect on Social Security taxes?**
- A. Taxable interest income
 - B. Non-taxable inheritances
 - C. Salary from employment
 - D. Investment income
- 10. What condition qualifies as a 'long-term disability' for Social Security purposes?**
- A. A situation expected to last less than six months
 - B. A condition that could improve within a year
 - C. A condition that generally lasts a year or more
 - D. A temporary illness

Answers

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

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Explanations

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1. How much of the Social Security tax is paid by employees?

- A. 5.9%
- B. 6.2%**
- C. 7.5%
- D. 8.0%

The correct amount of Social Security tax that employees pay is 6.2%. This rate applies to earned income, subject to a certain wage cap, which is adjusted annually. The 6.2% tax is part of the FICA (Federal Insurance Contributions Act) tax, where both employees and employers contribute to Social Security and Medicare programs. In this case, the employee's contribution is 6.2%, while the employer matches this with an additional 6.2%, resulting in a total contribution of 12.4% for Social Security between both parties. It's important to understand that the rate of 6.2% is set by law and has been the standard rate applicable for numerous years. While other options may seem plausible, they do not reflect the current applicable rate for Social Security tax withheld from an employee's paycheck. This distinction is vital for anyone engaged in payroll processing, personal tax calculations, or understanding their own business tax responsibilities.

2. Which of the following payments may be included in an employee's taxable wages?

- A. Value of transportation provided for personal use
- B. Health insurance premiums paid by the employer
- C. Childcare benefits
- D. Cash bonuses**

The inclusion of cash bonuses in an employee's taxable wages is grounded in the fact that bonuses are considered additional compensation for work performed. The IRS classifies bonuses as supplemental wages, which are fully subject to income tax withholding, Social Security taxes, and Medicare taxes. This means they directly contribute to the employee's taxable income and must be reported on their tax returns. In contrast, other benefits such as transportation provided for personal use, health insurance premiums paid by the employer, and childcare benefits may be excluded or have special tax treatment. For example, employer-paid health insurance premiums are typically not included in taxable wages, as they are a benefit that employees do not have to report as income. Similarly, many childcare benefits can fall under specific tax exclusions or credits, offering tax advantages to both employers and employees. Thus, cash bonuses stand out as a clear example of taxable compensation, leading to their inclusion in an employee's taxable wages.

3. What must all employers of one or more persons file for compliance with tax regulations?

- A. A tax exemption form
- B. A withholding statement
- C. An application for an identification number**
- D. A payroll report

For compliance with tax regulations, all employers must file an application for an identification number, also known as an Employer Identification Number (EIN). This number is essential for several reasons: it uniquely identifies the business entity to the Internal Revenue Service (IRS) and is required for the reporting of taxes and for various other compliance responsibilities. The EIN is crucial for filing tax returns, making tax payments, and handling employees' tax withholdings. Employers need this identification number to report and pay payroll taxes, including Social Security and Medicare taxes. It's also needed when filing other forms that might be linked to the business's operations, such as income tax returns or excise tax forms. Thus, obtaining an EIN is a foundational step for businesses when establishing their tax compliance and operational framework. While the other options relate to specific aspects of tax compliance, they do not serve the same foundational purpose as the identification number. A tax exemption form is more relevant for entities seeking exemption from certain taxes, a withholding statement is related to the amounts taken from an employee's paycheck for taxes, and a payroll report typically details payroll information but does not establish the employer's identity with tax authorities.

4. What must an employer do if there are no taxes to report for a quarter?

- A. File an exemption form
- B. Still file Form 941**
- C. Notify the IRS
- D. They are not required to do anything

If an employer has no taxes to report for a quarter, they are still required to file Form 941, even if the amount on the form reflects zero. Form 941 is the Employer's Quarterly Federal Tax Return, and it provides essential information to the IRS about the employer's payroll tax obligations. Filing this form ensures compliance with federal regulations and keeps the employer in good standing with the IRS. By submitting Form 941, employers maintain accurate records and inform the IRS that they are still operating and subject to tax reporting requirements. This practice helps prevent any misunderstandings about the employer's activity and reporting obligations during that period. Additionally, non-filing can raise red flags and potentially lead to penalties or questions from the IRS regarding the employer's status. In contrast, other choices may lead to misunderstandings about the employer's obligations. For instance, filing an exemption form might suggest that the employer is not subject to certain tax laws, which is not applicable when they still are required to report despite having no tax liabilities. Similarly, simply notifying the IRS without filing would not fulfill the legal obligation to submit a quarterly report. Lastly, not doing anything at all could result in compliance issues for the employer.

5. What does the Social Security Administration use to calculate future benefit amounts?

- A. The average of the past five years of earnings
- B. Lifetime earnings history as included in the annual statement**
- C. The highest earning year only
- D. Projected income based on current employment

The Social Security Administration calculates future benefit amounts based on the individual's lifetime earnings history, which is compiled and included in the annual Social Security statement. This lifetime earnings history reflects an individual's total earnings over their working life, adjusted for inflation. The administration uses a formula that takes into account the earnings over the person's working years, particularly focusing on the highest 35 years of indexed earnings, to determine the primary insurance amount (PIA). This approach ensures that benefit calculations are comprehensive and reflect the true earning potential of the individual throughout their employment, rather than relying on a limited timeframe or simply a single year of earnings.

6. Does the Social Security Act require self-employed persons to have an account number?

- A. Yes, always
- B. No, they are not required**
- C. Only if they earn above a minimum threshold
- D. Only for tax season

The Social Security Act does not require self-employed persons to have a Social Security number. This means that individuals who are self-employed are not mandated to obtain a Social Security account number as a condition of their self-employment. While having a Social Security number is generally beneficial for tax reporting and benefits later on, especially for those who may want to access Social Security benefits in the future, the law itself does not stipulate an obligation for self-employed individuals to acquire such a number. The other options involve conditions that would imply some necessity for having an account number, which is not accurate in this context. Understanding the implications of this can help self-employed individuals realize that while beneficial, obtaining a Social Security number is not a mandatory requirement as outlined by the social security regulations.

7. Are unemployment benefits subject to Social Security tax?

- A. Yes, they are fully taxable
- B. Yes, but only partially taxable
- C. No, unemployment benefits are not subject to Social Security tax**
- D. Only if the individual has other income

Unemployment benefits are not subject to Social Security tax because they are considered to be a form of public assistance rather than earned income. Social Security taxes are typically levied on wages and self-employment income that individuals earn from employment activities. Since unemployment benefits are payments made to individuals who are temporarily out of work and not receiving wages, these benefits do not fall under the categories of income that are taxable for Social Security purposes. This distinction is crucial as it reflects the fundamental design of the Social Security program, which aims to provide financial support during periods of unemployment without further taxing that support. Therefore, individuals receiving unemployment benefits will not see these payments subjected to the Social Security tax, allowing them to retain the full amount of the benefits they receive while seeking new employment.

8. Are Social Security taxes withheld from bonuses?

- A. Yes, only if the bonus exceeds a certain amount
- B. No, bonuses are exempt from Social Security taxes
- C. Yes, Social Security taxes are withheld from bonuses**
- D. Only for employees with a higher tax bracket

Social Security taxes are indeed withheld from bonuses just as they are from regular wages. When an employee receives a bonus, it is considered supplemental income and is subject to the same tax treatments as regular earnings. This includes Federal Insurance Contributions Act (FICA) taxes, which cover both Social Security and Medicare taxes. Therefore, the correct answer highlights the fact that there is no exemption for bonuses when it comes to these taxes. Understanding this aspect of payroll taxation is crucial for both employers and employees, as it ensures that the appropriate amount is deducted from bonuses, thereby contributing to Social Security benefits in the future.

9. Which type of income typically has no effect on Social Security taxes?

- A. Taxable interest income
- B. Non-taxable inheritances**
- C. Salary from employment
- D. Investment income

Non-taxable inheritances are the type of income that typically has no effect on Social Security taxes. This is because Social Security taxes are primarily levied on earned income, such as wages or salary from employment, which directly contribute to an individual's Social Security account. Non-taxable inheritances, however, are not considered earned income and thus do not factor into the calculation of Social Security taxes. In contrast, taxable interest income and investment income, while they may not be subject to the same Social Security tax as wages, might still impact an individual's overall tax situation, but they do not count towards earnings for Social Security purposes. Salary from employment directly contributes to Social Security taxes as it is subject to withholding. Therefore, the nature of inheritances being non-taxable categorically exempts them from Social Security tax considerations.

10. What condition qualifies as a 'long-term disability' for Social Security purposes?

- A. A situation expected to last less than six months
- B. A condition that could improve within a year
- C. A condition that generally lasts a year or more**
- D. A temporary illness

For Social Security purposes, a 'long-term disability' refers to a condition that is expected to last one year or more. This definition is critical because Social Security Disability Insurance (SSDI) benefits are designed to assist individuals who cannot work due to a disabling condition that is expected to be prolonged. The underlying rationale is to provide financial support to those who are unable to perform any substantial gainful activity due to these severe and enduring health issues. Conditions that are expected to last less than a year or those that are temporary, such as a short-term illness, do not meet the criteria for long-term disability as they do not demonstrate the significant economic impact associated with extended incapacitation. Therefore, only conditions that typically last for a year or more would qualify for the long-term disability classification that triggers eligibility for Social Security benefits.

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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