

Worksheet

History of Social Security and FICA

Theme 2: Taxes in U.S. History
Lesson 4: The Social Security Act of 1935

Key Terms

compulsory payroll tax—An automatic tax collected from employers and employees to finance specific programs.

Federal Insurance Contributions Act (FICA) tax—Provides benefits for retired workers and their dependents as well as for disabled workers and their dependents. Also known as the Social Security tax.

withholding (“pay-as-you-earn” taxation)—Money, for example, that employers withhold from employees’ paychecks. This money is deposited for the government. (It will be credited against the employees’ tax liability when they file their returns.) Employers withhold money for federal income taxes, social security taxes, and state and local income taxes in some states and localities.

Summary

The Social Security Act was passed in 1935 at the height of the Great Depression when millions of Americans were unemployed. The elderly were especially vulnerable to poverty. President Roosevelt called for the creation of a program designed to support the elderly. The program was so successful that it is still in effect today in an expanded form.

Social Security today provides a regular income to retired and disabled workers and the unemployed. It is funded by a **compulsory payroll tax** called the **Federal Insurance Contributions Act (FICA) tax**. **Withholding** means that employers deduct, or hold back, a set amount of money from each paycheck for the government. Workers pay the tax as they earn their incomes. This system is known as “pay-as-you-go” or “pay-as-you-earn.” Every employed U.S. citizen is required to contribute to Social Security.

Activity 1

In the 1930s, Social Security was a new idea. Read the opinions below and decide whether the person would support or oppose Social Security. Write *Support* or *Oppose* on the lines provided.

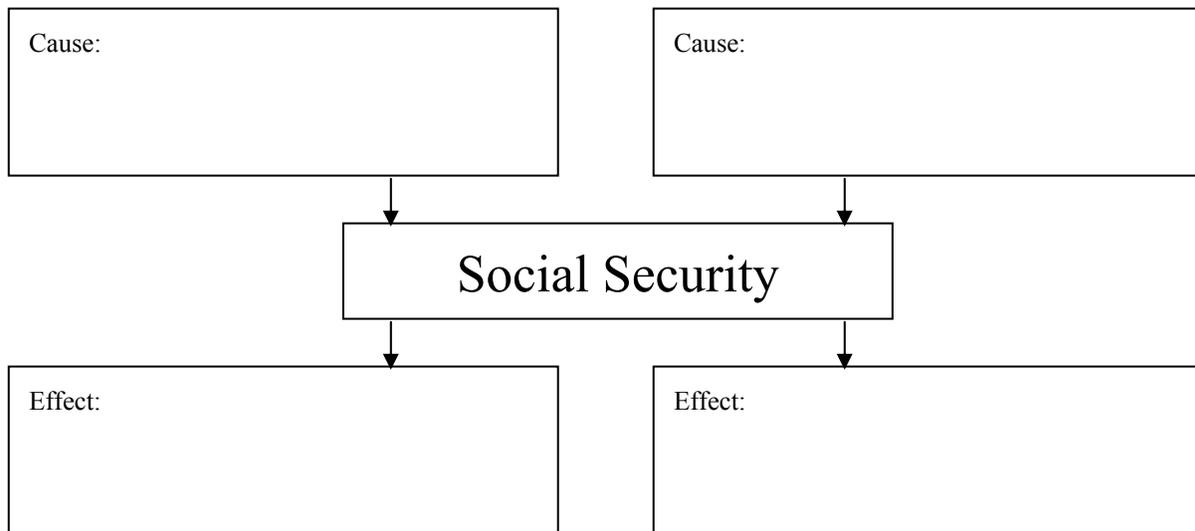
1. “It seems to me that everyone should be able to pull his own weight.”

2. “I worked my whole life, but at age 60, I lost everything in the Depression.”

3. “Americans have the right to enjoy their retirement without worrying about how they will pay the rent.” _____
4. Why do I have to pay taxes so that someone who didn’t think ahead can live well? I’ve got my` own kids to feed.” _____

Activity 2

Fill in the chart below with at least two causes and two effects of the Social Security Act. Then label the effects as positive or negative.



Activity 3

Imagine that you are living during the Great Depression and you have concerns about the implications of Social Security. On another sheet of paper, write a short editorial on the Social Security Act of 1935. In your essay, explain who you are, what your concerns are, and the reasons you support or oppose Social Security and the FICA tax.