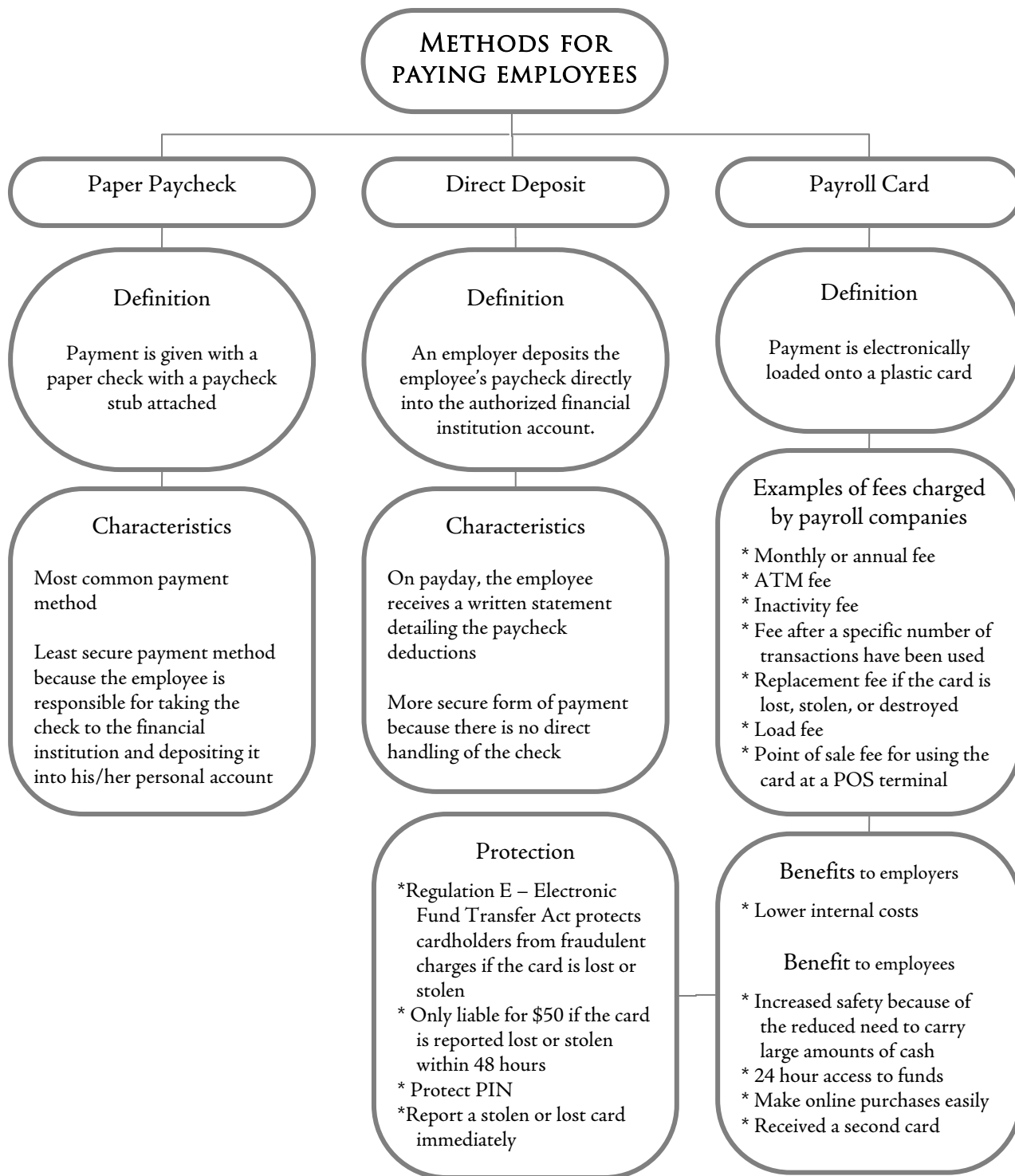


ANSWER KEY

Understanding Your Paycheck note taking guide 1.13.1.L1:



TAXES

Taxes: Compulsory charges imposed on citizens by local, state, and federal governments. The money is used to provide public goods and services.

Internal Revenue Service: The government agency that collects federal taxes.

What public services and goods in your community are funded with tax dollars?

Answers will vary.

EMPLOYMENT FORMS

Form W-4: Employee's Withholding Allowance Certificate. The information provided on this form determines the percentage of gross pay to be withheld for taxes. Regardless of the job, every new employee will be asked to complete a Form W-4 when they begin a new job.

- **Allowance:** Used to determine the amount of federal taxes withheld for from the paycheck. The number of allowances a person claims should result in the amount of federal income tax being withheld to be about equal to his/her federal income tax liability.

- **Dependent:** A person who relies on the taxpayer for financial support, like a child or nonworking adult.

Form I-9: Employment Eligibility Verification form. The information gathered in this form is for employers to verify the eligibility of individuals for employment thereby avoiding hiring undocumented workers or others who are not eligible to work in the United States. All employees, citizens, and non-citizens must complete a Form I-9 at the time of hire.

- **Examples of documentation:** passport, driver's license, U.S. Military card, and social security card.

Why is it important for working teenagers and young adults to communicate with their parents or guardians to determine if they are claimed as a dependent?

So they are not claimed twice – on their parent's W-4 as a dependent and on their W-4 as an allowance.

PAYMENT FORMS

Payment option choice is: Answers will vary

For these two reasons: Answers will vary

READING A PAYCHECK STUB

Paycheck stub: lists the paycheck deductions as well as other important information

Personal Information: the employee's full name, address, and social security number

Gross Pay: the total amount of money earned during the pay period before deductions

Net Pay: the amount of money left after all deductions have been taken from the gross pay earned in a pay period

Deductions: the amount of money subtracted or deducted from the gross pay for mandatory systematic taxes, employee sponsored medical benefits, and/or retirement benefits

If Thomas earned \$6.00 per hour, and worked 15 hours this pay period, what would his gross pay be?

$$\$6.00 \text{ per hour} * 15 \text{ hours} = \$90.00$$

REQUIRED AND OPTIONAL DEDUCTIONS

Federal Withholding Tax: The amount required by law for employers to withhold from earned wages to pay taxes. This represents the largest deduction taken from an employee's gross income.

State Withholding Tax: The percentage deducted from an individual's paycheck to assist in funding government agencies within the state. The percentage deducted depends on the amount of gross pay the employee has earned.

FICA: Federal Insurance Contribution Act – This tax includes Social Security and Medicare. They may be combined as one line item or itemized separately on the paycheck stub

Social Security: The nation's retirement program. This tax helps provide retirement income for the elderly and pays disability benefits. Social Security taxes are based on a percentage (6.2%) of the employee's gross income. The employer matches the contribution made by the employee.

Medicare: The nation's health care program for the elderly and the disabled. This tax provides hospital and medical insurance to those who qualify. Medicare taxes are based on a percentage (1.45%) of the employee's gross income.

Retirement Plan: The amount an employee contributes each pay period to a retirement plan. A specified percentage of the contribution is often matched by the employer.

Medical: The amount taken from the employee's paycheck for medical benefits.

Year-to-Date: Totals all of the deductions which have been withheld from an individual's paycheck from January 1 to the last day of the pay period indicated on the paycheck stub.

Why is it important for Thomas who is 25 years old to put money into a retirement plan?

The time value of money – if Thomas starts saving early, his money will have more time to earn interest.

Paychecks worksheet 1.13.1.A1:

1. Approximately 31%
2. Paycheck, direct deposit, payroll card
3. Employers directly deposit an employee's paycheck into his/her bank account and send the employee the pay stub
4. A payroll card electronically carries the balance of the employee's net pay
5. Form W-4 and Form I-9
6. Public goods and services
7. Employee's income and W-4
8. Collects federal taxes, issues regulations, and enforces tax laws written by the United States Congress
9. Percentage of gross pay which will be withheld for taxes
10. Person who relies on the taxpayer for financial support
11. Documentation which establishes identity and employment eligibility
12. The length of time for which an employee's wages are calculated
13. By multiplying the number of hours worked by the hourly rate or dividing the salary amount by the specified time period
14. Amount of money left after all deductions have been taken from the gross pay earned in the pay period
15. Nation's retirement program
16. 1.45%

Paycheck Stub 1 worksheet 1.13.1.A2:

<i>Guardian National Bank</i>				
Employee <i>Julie Jones</i>	SSN <i>999-88-7766</i>	Check # <i>164</i>	Check Amount <i>\$ 717.82</i>	
Employee Address <i>408 South 11th Street Ash Grove, MO 65604</i>				
	Pay Type- Gross Pay	Deductions	Current	Year-to-date
	<i>\$1,083.33</i>	Federal Withholding	<i>\$122.05</i>	<i>\$366.15</i>
		State Withholding	<i>\$42.27</i>	<i>\$126.81</i>
		Fed OASDI/EE or Social Security	<i>\$67.17</i>	<i>\$201.51</i>
		Fed MED/EE or Medicare	<i>\$15.71</i>	<i>\$47.13</i>
		Medical	<i>\$42.00</i>	<i>\$126.00</i>
		401K	<i>\$76.31</i>	<i>\$228.93</i>
		Totals	<i>\$ 365.51</i>	<i>\$ 1,096.53</i>
<i>Pay Period February 1-February 14</i>				

What amount will Ms. Jones receive on her paycheck? _____ *\$717.82* _____ **Paycheck Stub**

Paycheck Stub 2 worksheet 1.13.1.A3:

<i>Hank's Culinary Center</i>				
Employee <i>Sally Kreeps</i>	SSN <i>987-65-1234</i>	Check # <i>164</i>	Check Amount <i>\$1,688.84</i>	
Employee Address <i>106 Michael Grove Great Falls, MT 59405</i>				
Number of Hours Worked and Hourly Rate <i>\$12.00 per hour 173 hours</i>	Pay Type- Gross Pay	Deductions	Current	Year-to-date
	<i>\$2,076.00</i>	Federal Withholding	<i>\$116.25</i>	<i>\$1,278.75</i>
		State Withholding	<i>\$39.44</i>	<i>\$433.84</i>
		Fed OASDI/EE or Social Security	<i>\$128.71</i>	<i>\$1,415.81</i>
		Fed MED/EE or Medicare	<i>\$30.10</i>	<i>\$331.10</i>
	Medical		<i>\$0.00</i>	
	401K		<i>\$72.66</i>	<i>\$799.26</i>
		Totals	<i>\$387.16</i>	<i>\$ 4,258.80</i>
<i>Pay Period November 1 – November 30</i>				

What amount will Ms. Kreeps receive on her paycheck? _____ *\$1,688.84* _____

Reviewing Paychecks worksheet 1.13.1.A4:

1. B
2. A
3. C
4. A
5. B
6. C
7. employer, employee, depository institution
8. to carry large amounts of cash
9. check cashing
10. Regulation E
11. taxes
12. Internal Revenue Service (IRS)
13. An allowance is used to determine the amount of federal taxes withheld from the paycheck.
The number of allowances a person claims should result in the amount of federal income tax being withheld to be about equal to his/her federal income tax liability.
14. To verify the eligibility of individuals for employment thereby avoiding hiring undocumented workers.
15. H
16. K
17. D
18. I
19. F
20. A
21. C
22. J
23. E
24. B
25. G

Paychecks Crossword Puzzle 1.13.1.A5:

1. A L L O W A N C E										2. S	
										T	
3. S		4. D		5 M E D I C A L							
O		E		E						T	
C		D		D						6. N	
I		U		I						E	
7. P A Y C H E C K S T U B											
L										T	
S										I	
E										O	
C										N	
R										A	
S										Y	
U										8. D	
O										9. P	
S										A	
S										F	
15. P A Y P E R										16. I O D	
A										R	
Y										S	
12. F										13. P A Y C H E C K	
14. R E G U L A T I O N E										R	
I										D	
T										E	
A										O	
D										L	
E										L	
N										A	
17. T A X E S										L	

Paychecks Math 1.13.1.A6:

1. \$960.00
2. \$960.00
3. \$59.52
4. \$960.00
5. \$13.92
6. \$59.52
7. \$13.92
8. \$260.44
9. \$960.00
10. \$260.44
11. \$699.56
12. \$699.56
13. 80
14. \$12.00
15. \$960.00
16. \$84.00
17. \$38.00
18. \$59.52
19. \$13.92
20. \$25.00
21. \$40.00
22. \$260.44
23. \$1,530.00
24. \$1,530.00
25. \$94.86
26. \$1,530.00
27. \$22.19
28. \$94.86
29. \$22.19
30. \$427.05
31. \$1,530.00
32. \$427.05
33. \$1,102.95
34. \$1,102.95
35. 85
36. \$18.00
37. \$1,530.00
38. \$140.00
39. \$55.00
40. \$94.86
41. \$22.19
42. \$40.00
43. \$75.00
44. \$427.05