

## 🔗 Pay Stub Explanation Worksheet

Attached to your paycheck is a *pay stub* that details what exactly happened to your salary. Items on the stub below have numbers that correspond to the explanations that follow.

<b>Employee:</b> Keisha Charleston		<b>Arlington Real Estate</b>	
<b>Social Security Number:</b> 083-13-5587		<b>250 Shaker Street</b>	
<b>For week ending March 12, 2002</b>		<b>Arlington, New Jersey 07039</b>	
1.	No. of regular hrs. worked: 40 Rate of pay: \$8/hr.	3.	Gross Pay \$368.00
2.	No. of overtime hrs. worked: 4 Rate of pay: \$12/hr.	4.	401(k) 20.00
		5.	FICA 28.60
		6.	Federal 55.00
		7.	State 30.00
		8.	Disability .60
		9.	Medical 1.25
		10.	Total Deductions \$135.45
		11.	Net Pay \$232.55

### EXPLANATIONS

1. A standard work week is 40 hours. Employers must pay the agreed-upon hourly rate of pay for these hours. Here, 40 hours x \$8/hr. = \$320.00.
2. Employers usually pay one-and-a-half times the standard hourly rate for any hours over 40 that are worked. Half of \$8 is \$4 so the overtime rate is \$8 + \$4 = \$12. Keisha's overtime pay is 4 hours x \$12/hr. = \$48.00.
3. Gross pay is total earnings (standard and overtime) before taxes and deductions. Gross pay in this case is \$320.00 + \$48.00 = \$368.00.
4. 401(k) is a retirement account contribution that is tax-free until you retire. For the year 2003, individuals 50 years or older can contribute up to a maximum of \$13,000 to this fund annually. Individuals under the age of 50 can contribute up to \$12,000.
5. FICA stands for Federal Insurance Contribution Act. This is the money that is deducted and put into your Social Security fund. Your Social Security fund holds a percentage of your earnings averaged over most of your working lifetime. Social Security was never intended to be your only source of income when you retire or become disabled, or your family's only income if you die. It is intended to supplement other income you have from pension plans, savings, investments, etc. Currently, each one of your paychecks will be reduced by 7.65% specifically for your FICA contribution. Your employer is required by law to match this same amount and pay it to Social Security.

6. Federal Income Tax. This tax goes to the Federal (national) government. When you file your income-tax return, you may be entitled to get some of this money back.
7. State Income Tax. This money goes to the state government.
8. Disability is insurance that provides benefits if you are hurt or get sick and can't work. It will give you money only for a short time. If you need help on a more permanent basis, you might receive Social Security payments.
9. Medical Insurance. This payment goes to help pay for the medical insurance your employer supplies for you.
10. This is the total amount of deductions taken out of your pay check.
11. Net Pay is your take-home pay.

## Pay Stub Worksheet

Circle the correct answers to each question after studying the pay stub.

<b>Employee:</b> Charles Remache		<b>Fit Construction</b>	
<b>Social Security Number:</b> 082-21-6752		<b>611 Avenue A, #12</b>	
<b>For week ending June 18, 2002</b>		<b>New York, NY 10009</b>	
		401(k)	25.00
		FICA	38.60
		Federal	64.00
		State	48.00
		Disability	1.00
Gross pay 40 regular hours	\$400.00	Medical	2.00
4 overtime hours	60.00	Total Deductions	\$178.60
Total	\$460.00	Net Pay	\$281.40

- How many hours did Charles work this week?
  - 44
  - 40
  - 50
- What is Charles' regular wage?
  - \$10.00
  - \$7.00
  - \$5.00
- What is his take-home pay?
  - \$178.60
  - \$281.40
  - \$400.00
- What is his overtime pay rate?
  - \$12.00
  - \$15.00
  - \$10.00
- What is the amount of FICA tax Charles paid this week?
  - \$48.00
  - \$64.00
  - \$38.60
- How much money is Charles contributing to his retirement savings?
  - \$38.60
  - \$48.00
  - \$25.00
- How much overtime pay did Charles earn this week?
  - \$163.00
  - \$60.00
  - \$400.00
- What percent of his total pay was deducted this week?
  - 39%
  - 45%
  - 20%
- How much per week does Charles pay for medical coverage?
  - \$10.00
  - \$2.00
  - \$1.00

## ➤ Figuring Out Taxes Worksheet

1 Why do we pay taxes?

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2 If you own a business and do not receive a paycheck from an employer, what do you pay taxes on?

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3 What will you do if your employer withholds more taxes from your paycheck than you owe?

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4 How much income tax would you owe given the following tax rates and net incomes:

Tax Rate	Net Income	Tax Due
a. 15%	\$25,000	_____
b. 27%	\$65,000	_____
c. 30%	\$100,000	_____