

Financial Literacy Earning & Withholding Packet

Student Name: _____

EARNING POWER

Standard 2: Students will understand sources of income and the relationship between income and career preparation.

Objective 3: Analyze criteria for selecting a career and the impact of career choices on income and financial stability.

Try your best to answer the following questions based on what you already know.

1. What is “earning power”?
2. Why do people get paid more for one type of work than for another in our society?
3. If you have a job now, do you actually take home every dollar that you earn?
4. What is the difference between NET and GROSS income?
5. What are payroll deductions?
6. What kind of payroll deductions are taken from your paycheck?
7. What are taxes?
8. What is tax money used for?

Define Earning Power:

or...

- An individual’s value as a worker – the wage or salary received for a specific job – is related to the skill level and education of the worker, the demand for that work in society, and the availability of qualified workers.

List the 4 ways to increase your earning power.

- 1.
- 2.
- 3.
- 4.

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Employee Wages:

Utah Minimum Wage is:

Part time is considered:

Full time is considered:

Any hours worked over 40 hours are considered _____ and must be compensated at a time and a half.

Example: If regular wage is \$10/hour, the first 40 hours will be paid at that wage. Any hours over 40 will be calculated at \$15/hour.

Pay is usually determined by the level of education, training, and skills you have. The more education you have, the better pay, the more training you have the better the pay, and you guessed it, the more skills you have the better the pay.

Earning power can include not only income but employee benefits. Benefits usually cost your employer between 33% and 50% of your pay. You will want to find out what benefits are offered if any BEFORE you commit to the company, by asking in the interview or when researching the company.

Examples of Employee Benefits

-
- Life insurance/disability insurance
-
- Tax-deferred retirement plan
-
-
- Direct Deposit (possible convenience)

Read page 103 of the NEFE Book and complete Exercise 7E. Initial when complete. _____

Hurray you got the job, now what! Have you stopped to consider some hidden costs to think about within a job? The following are just a few costs to consider:

-
-
-
-
-

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Find the answers to the following Earning Power problem.

Steve earns \$6.50 an hour. He worked 25 hours in the previous one week pay period. If Steve's employer withholds 10% of each of Steve's paychecks to pay Steve's income tax, how much will Steve take home in this week's paycheck?

TAXES & WITHHOLDINGS

Understanding your pay stub

Standard 2: Students will understand sources of income and the relationship between income and career preparation.

Objective 2: Identify and understand required income withholdings.

Net Income vs. Gross Income

_____ is the total amount a worker is paid before any required or voluntary deductions are made.

_____, also called "take home pay," is the amount a person receives when he cashes or deposits his check. It is the remaining amount after deductions are made.

List the four types of required taxes withheld by employers.

- 1.
- 2.
- 3.
- 4.

List a few voluntary Payroll Deductions

-
-
-
-

What are taxes?

Taxes are required contributions to state revenue, levied by the government on personal income and business profits or added to the cost of some goods, services, and transactions.

_____: The federal agency that collects income taxes in the United States.

_____: An IOU issued by a corporation, the U.S. government, or a city and held by the lender as receipt that the business or institution has borrowed a specific amount of money.

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State & Federal Income Tax

Each American is subject to Federal Income Taxes. Submitting U.S. Income Tax Return, like the 1040 form, will calculate the amount of taxes owed.

43 states have a State Income Tax and the rate varies in each state.

Utah has a flat tax rate on individual income of 5%.

Social Security

The Social Security tax is also called the FICA (_____)tax.

Social Security taxes provide the following benefits for employees and their dependents:

- retirement benefits
- benefits for the dependents of retired workers
- benefits for the disabled and their dependents

Medicare

The **Medicare tax** is used to provide medical benefits for certain individuals when they reach age _____. Workers, retired workers, and the spouses of workers and retired workers are eligible to receive Medicare benefits upon reaching age 65. (*Remember that MediCARE helps those over 65 by thinking of CARING for the elderly*).

Other Taxes

-
-
-
-

List a few ways our tax money is spent.

_____: States, cities, counties, and towns issue bonds to pay for public projects (roads, building a new school, etc.) and finance other activities.

Tax Costs

To figure sales tax, purchased items are added together, then multiplied by the tax rate in decimal format. That total is then added to the subtotal for the final cost.

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Figure the sales tax in the following scenarios.

1. If a CD costs \$15.00 and the tax is 7.5%, what is the final cost?
2. You and your friends receive a lunch bill for \$22.50 before tax is included. The tax in your state is 8%. What is the total cost when the tax is included?
3. Which would cost more...a pair of earrings priced at \$28.00 with a 7% tax, or a set of posters at \$29.00 with a 5.5% tax?
4. The class trip is going to cost each of the fifty students \$130.00. If tax is 5%, what is the total cost for the entire class?

Explain why it is critical to include tax when planning your budget and spending.

DESCRIPTION OF EARNINGS	HOURS/UNITS	RATE	AMOUNT	YTD AMOUNT	DESCRIPTION OF DEDUCTIONS	AMOUNT	YTD AMOUNT
REGULAR	70.00	20.650	1445.50	1445.50	INCOME TAX	305.90	611.80
6	7	8	9	10	CANADA PENSION PLAN	65.03	130.06
YEAR TO DATE EARNINGS				1445.50	EMPLOYMENT INSURANCE	28.62	57.24
CONV. BOX 14/T4 EARNING					UPP PLAN B	77.59	155.18
					UNION DUES (AESSES)	10.84	10.84
					CANADA SAVINGS BONDS	8.00	16.00
					DEPENDENT LIFE INSURANCE	0.69	1.38
					OPTIONAL LIFE INSURANCE	4.94	9.88
					OPTIONAL AD&D	1.37	2.74
					LONG TERM DISABILITY	7.01	14.02
					CONVERSION - UNION DUES		10.84
					16		
TOTAL			1445.50	2891.00	TOTAL	509.99	1019.98

PAY PERIOD: 2005-01-10
 FEDERAL EXEMPTION: 8148.00
 PROVINCIAL EXEMPTION: 7634.00
 CURRENT
 GROSS EARNINGS: 1445.50
 TOTAL DEDUCTIONS: 509.99
 NET PAY: 935.51

Identifying information

1. The first line of the name and address block gives your internal mailing address
2. Payroll reference number. If you ever need to ask Payroll a question about your pay, quote the payroll reference number and your employee number
3. The pay date for the pay period.
4. Your employee number.

Earnings information

5. The earnings side of your pay stub.
6. "Regular" indicates your regular earnings from salary.
7. The number of hours paid with this type of earnings in this pay period.
8. The hourly rate for this type of earnings.
9. The amount paid for this type of earnings in this pay period.
10. The year-to-date amount paid for this type of earnings.
11. The amount you earned in 2005 before your payroll was processed.

Deduction information

12. The deductions side of your pay stub. The first deductions listed are the legislated deductions (Income Tax, Pension Plan, and Employment Insurance), followed by other deductions.
13. The amount deducted for this type of deduction in this pay period.
14. The year-to-date amount deducted for this type of deduction.
15. Name of Deductions.
16. Union dues paid in 2005 before your payroll was processed.

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Common Tax Forms

- - You use W-4 Employee's Withholding Allowance Certificate Form to establish your withholding allowances for Federal income taxes. Fill out before you start working.
 - Usually a number between 0 and 7.
 - A higher number = lower amount of taxes withheld (more money to take home each paycheck) and a less chance of a tax return
 - A lower number = higher amount of taxes withheld (less money to take home each paycheck) and greater chance of a tax return
- - Employment Eligibility Verification Form required by the Immigration and Naturalization Services (INS) to verify your identity and your eligibility to work.
 - All employees must complete this form and provide valid original identifications.
 - You are not eligible for pay until Payroll Services receives a satisfactory I-9.
 - Includes two forms of identify and/or eligibility.
- - Reflects all taxable wages you received during the calendar year and all taxes withheld from those wages.
 - The form serves as an annual report that enables you to file your personal income tax return with the Internal Revenue Service.
- - Similar to the 1040 income tax form, 1040EZ is a faster and easier way to file your Federal Income Tax Return. This form is only eligible for people with income less than \$50,000 and interest income of \$400 or less.
- Utah State Tax Form

Tax Simulation

- <http://www.irs.gov/Individuals/Students>
- Choose UNDERSTANDING TAXES.
- Choose the STUDENT SITE.
- Click on SIMULATIONS.
- Complete the simulations for: Lawrence Red Owl, Cicely King, & Monica Lindo

Form **1040EZ**

Income Tax Return for Single and Joint Filers With No Dependents (99) **2010**

OMB No. 1545-0074

Name, Address, and SSN

See separate instructions.

Presidential Election Campaign (see page 9)

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Your first name and initial	Last name	
If a joint return, spouse's first name and initial	Last name	
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see instructions.		

Your social security number
.....
Spouse's social security number
.....

▲ Make sure the SSN(s) above are correct. ▲

Checking a box below will not change your tax or refund.

Check here if you, or your spouse if a joint return, want \$3 to go to this fund . . . **You** **Spouse**

Income

Attach Form(s) W-2 here.

Enclose, but do not attach, any payment.

You may be entitled to a larger deduction if you file Form 1040A or 1040. See *Before You Begin* on page 4.

1	Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.	1
2	Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.	2
3	Unemployment compensation and Alaska Permanent Fund dividends (see page 11).	3
4	Add lines 1, 2, and 3. This is your adjusted gross income .	4
5	If someone can claim you (or your spouse if a joint return) as a dependent, check the applicable box(es) below and enter the amount from the worksheet on back. <input type="checkbox"/> You <input type="checkbox"/> Spouse If no one can claim you (or your spouse if a joint return), enter \$9,350 if single ; \$18,700 if married filing jointly . See back for explanation.	5
6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your taxable income .	6

Payments, Credits, and Tax

7	Federal income tax withheld from Form(s) W-2 and 1099.	7
8	Making work pay credit (see worksheet on back).	8
9a	Earned income credit (EIC) (see page 13).	9a
b	Nontaxable combat pay election. 9b	
10	Add lines 7, 8, and 9a. These are your total payments and credits .	10
11	Tax. Use the amount on line 6 above to find your tax in the tax table on pages 27 through 35 of the instructions. Then, enter the tax from the table on this line.	11

Refund

Have it directly deposited! See page 18 and fill in 12b, 12c, and 12d or Form 8888.

12a	If line 10 is larger than line 11, subtract line 11 from line 10. This is your refund . If Form 8888 is attached, check here <input type="checkbox"/>	12a
b	Routing number <input type="text"/>	c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number <input type="text"/>	

Amount You Owe

13	If line 11 is larger than line 10, subtract line 10 from line 11. This is the amount you owe . For details on how to pay, see page 19.	13
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Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see page 20)? **Yes**. Complete the following. **No**

Designee's name	Phone no.	Personal identification number (PIN)
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Sign Here

Joint return? See page 6.

Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name	Firm's EIN		Phone no.	
Firm's address				