# Let's Talk **TAXES**

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#### Your pay stub is a source of valuable information



It shows you **how your income is distributed**, gives you a heads-up on **what to expect at tax time** and allows you to set a **realistic budget** 

	Earnings Statement
EMPLOYEE NO. EARNINGS	EMPLOYEE NAME       SOCIAL SECURITY NO.         RATE       HOURS       TOTAL       DEDUCTIONS       AMOUNT       YID
	NET PAY YTD NET PAY

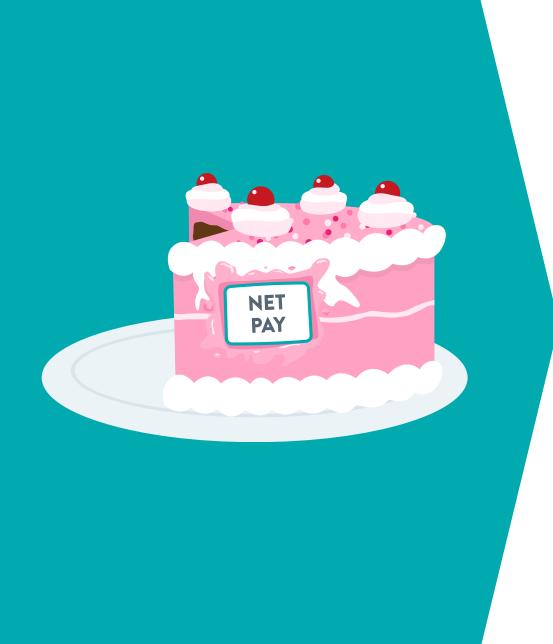
# Understanding your **PAYCHECK**



#### **Gross Pay**

The total amount you earn before withholdings

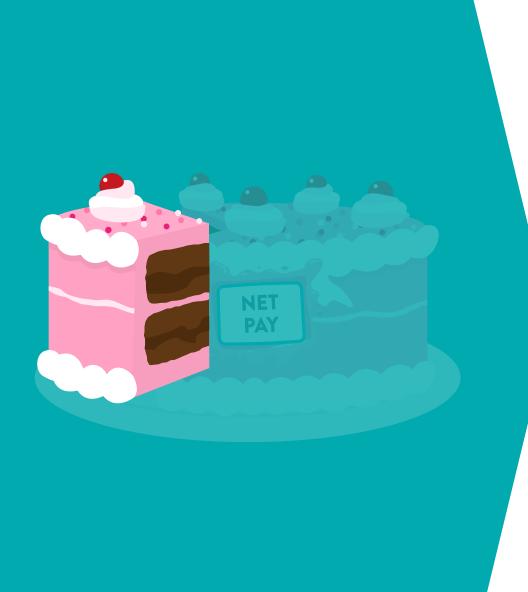
You usually think of it in terms of your salary or your hourly wage



#### **Net Pay**

Your take-home pay

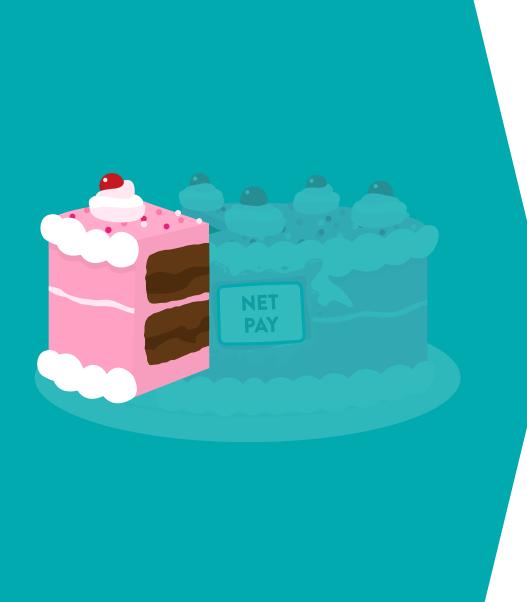
It's what's left of your earnings after withholdings have been deducted



### Withholdings

The portion of your paycheck that your employer withholds for the government

These can also be referred to as **Involuntary** or **Mandatory Deductions** 



#### Deductions

Other, voluntary amounts that are taken from your paycheck They vary from person

They vary from person to person and are also known as **Voluntary Deductions** 

### Your pay stub may look a little different

Keep in mind that your pay stub may use the term "deduction" to refer to **both** withholdings **and** deductions

	Earnings Statement
EMPLOYEE NO.	EMPLOYEE NAME SOCIAL SECURITY NO.   RATE HOURS TOTAL DEDUCTIONS AMOUNT YTD   RATE HOURS OTAL DEDUCTIONS AMOUNT YTD   NET PAY YTD NET PAY

## Let's talk WITHHOLDINGS

## **FEDERAL TAXES**

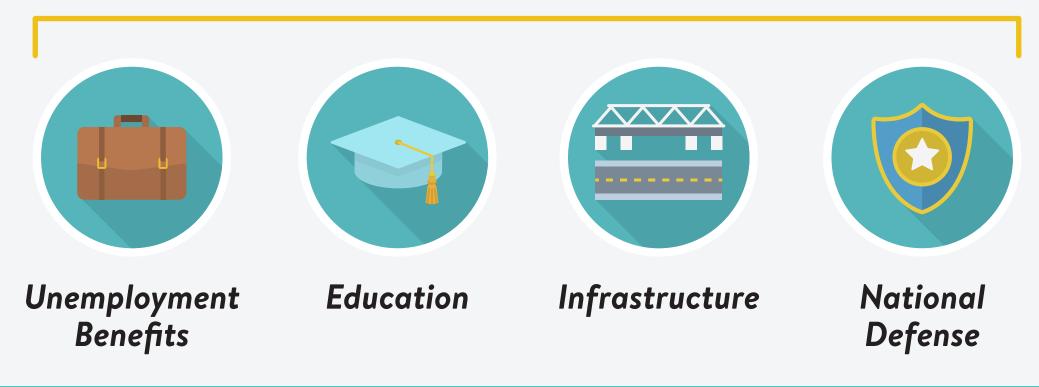


## Federal income tax is automatically deducted from your paycheck

The amount deducted depends on the federal tax rate as well as how much money you make

## **FEDERAL TAXES**

#### Your federal tax dollars go toward things like:



## **FEDERAL TAXES**



The amount of tax withheld on your paycheck might be higher or lower than the actual amount of federal tax due to the government, so you may find yourself owing additional funds or getting a refund at tax time

## **STATE AND LOCAL TAXES**



#### **Depending on where you live,** amounts may also be withheld for state and local taxes

## **STATE AND LOCAL TAXES**

#### Your state and local tax dollars go toward things like:



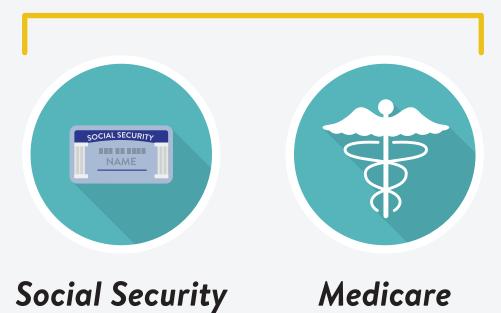
### **FICA**



#### Taxes from the **Federal Insurance Contributions Act (FICA)** provide support for disability and retirement as help with medical costs for seniors and those on Social Security

#### **FICA**

#### FICA taxes are used for:



## Let's talk VOLUNTARY DEDUCTIONS

## **VOLUNTARY DEDUCTIONS**

#### RETIREMENT SAVINGS

Contributions to your 401(k) can be taken directly from your pay



EMPLOYER-PROVIDED HEALTH COVERAGE

This includes premiums for extended medical, dental or vision plans



#### LIFE INSURANCE

Insurance coverage premiums may also be deducted



#### **BROUGHT TO YOU BY**



Sources: IRS, Duke University, The Balance

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