

# Paycheck Vocab 101

*Every working American gets a paycheck, but do you know and understand everything that goes into (or comes out of) what you are able to put in the bank?*

**Gross Pay:** This is the total amount you earn based on your annual salary or hourly wage. Taxes and voluntarily withheld items are not deducted.

**Deductions:** Any amount that is taken out of your paycheck. Examples include taxes, employee benefits, and retirement plan contributions.

**Federal Income Tax:** This amount is determined by your W-4, and is required by your employer to withhold from your wages to pay federal taxes. If you do not fill out a Form W-4, you will be taxed at the highest rate, which is "Single/Zero".

**State Income Tax:** This is a percentage deducted from an individual's gross pay to contribute to state income taxes. Only Alaska, Florida, Nevada, South Dakota, Texas, Washington, Wyoming, New Hampshire, Tennessee do not have state income taxes.

**Local Tax:** Local tax varies depending on your state and local jurisdiction. Several states have very complicated local tax structures, including Michigan, Pennsylvania, and Ohio. Most states do not impose a local tax.

**FICA:** The Federal Insurance Contribution Act is comprised of two parts: Medicare and Social Security. This is paid equally by the employer and employee.

**Social Security:** Social Security taxes are used by the federal government to pay Social Security benefits. Social Security is a system designed to help support retired individuals, widows and widowers, and people who are disabled. Social Security is officially called Old-Age, Survivors, and Disability Insurance (OASDI). Currently 6.2% for employee and 6.2% for the employer.

**Medicare:** Medicare tax is used to fund the government's Medicare program, which provides subsidized healthcare and hospital insurance benefits to retirees and the disabled. Currently 1.45% for the employee, and 1.45% for the employer.

**Voluntary Contributions:** Your voluntary contributions consist of items you voluntarily sign up for, like health insurance, dental and vision insurance, and retirement plans.

**Involuntary Items:** Involuntary items are also withheld from your paycheck. These can include child support, defaulted student loans, taxes, and unpaid court fines.

**Wage Garnishment:** when a court issues an order requiring your employer to withhold a certain amount of your paycheck and send it directly to the person or institution to whom you owe money, until your debt is paid off.

**Net Pay:** This is what you get to take home, after all deductions.

### Paycheck 1

123 - John R. Doe				Pay Period 06/02/06 to 06/16/06		Required Deductions	
<b>Earnings</b>				Federal Income Tax	00.00	00.00	
<b>Hours</b>	<b>Rate</b>	<b>This Period</b>	<b>YTD</b>	FICA - Medicare	06.08	12.16	
50	9.00	450.00	900.00	WI State Income Tax	00.00	00.00	
<b>Gross Pay</b>		<b>450.00</b>	<b>900.00</b>	FICA - Social Security	25.92	51.84	
				<b>Other Deductions</b>			
				Health Insurance	00.00	00.00	
				401k	00.00	00.00	
				Parking	00.00	00.00	
				<b>NET PAY</b>	<b>\$418.00</b>	<b>\$836.00</b>	

### Paycheck 2

Sample Company Name, Sample Company Address, 95220						EARNINGS STATEMENT	
EMPLOYEE NAME	SOCIAL SEC. ID	EMPLOYEE ID	CHECK No.	PAY PERIOD	PAY DATE		
James Robert	XXX-XX-6565	454545	259248	01/23/14-01/29/14	01/31/14		
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR-TO-DATE	
GROSS WAGES			1,000.00	FICA MED TAX	14.50	72.50	
				FICA SS TAX	62.00	310.00	
				FED TAX	159.50	797.48	
				CA ST TAX	44.26	221.31	
				SDI	10.00	50.00	
<b>YTD GROSS</b>	<b>YTD DEDCTIONS</b>	<b>YTD NET PAY</b>	<b>TOTAL</b>	<b>DEDUCTIONS</b>	<b>NET PAY</b>		
5,000.00	1,451.28	3,548.72	1,000.00	290.26	709.74		

### Paycheck 3

Employee Pay Stub		Check number: 1004	Pay Period: 12/17/2011 - 12/30/2011	Pay Date: 02/14/2012
Employee	SSN	Status (Fed/State)	Allowances/Extra	
Test Employee		Single/Single	Fed-0/0/IA-0/0	
Earnings and Hours	Qty	Rate	Current	YTD Amount
Salary	80:00		1,923.08	1,923.08
Taxes	Current YTD Amount			
Federal Withholding			-307.00	-307.00
Social Security Employee			-80.77	-80.77
Medicare Employee			-27.88	-27.88
IA - Withholding			-87.00	-87.00
			-502.65	-502.65
<b>Net Pay</b>			<b>1,420.43</b>	<b>1,420.43</b>

Acme Enterprises Inc., 555 No Name Street, Sunnyvale, CA 94086

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