

# Activity 2.1 Calculate Net Pay

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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**Introduction**

When you get a job, you are told that you will make a certain amount per hour, week, month, or year. This is your gross pay. Taxes and other government withholding is deducted from the gross pay. You may also have other benefits you want to pay for, such as health, dental, or visual insurance. Retirement and investment accounts are another option with some jobs. Sometimes your employer will match your contribution. After all these things are subtracted from your gross pay, you are left with your net pay or take home pay. People are often surprised at the amount of deductions taken from their first paychecks.

**Directions**

Answer the following questions based on your calculations.

- Brandon Smith is a single man who has just graduated with a computer technician certificate and started working at Global Environmental Technologies for \$22,500 a year. His gross pay every two weeks is \$865.38. Out of that amount, 46.32 is deducted for health insurance and 16.40 for a retirement account. He will also see federal and state payroll deductions taken from his check.

Help Brandon calculate what will be withheld from his check based on the percentages listed. Round all answers to the nearest penny.

	Brandon's Payroll Deductions	
	Per Paycheck	Per Year
Federal income tax (13%)		
Social Security tax (6.2%)		
Medicare tax (1.45%)		
State income tax (3%)		
Other deductions		

**Round the next two answers to the nearest tenth.**

After all of the payroll deductions, what is Brandon's net pay every two weeks? \_\_\_\_\_

What is the percentage of his gross pay taken out for retirement? \_\_\_\_\_

For health insurance? \_\_\_\_\_

2. Annalise works part-time as a hostess at a restaurant while she attends school. At the end of the year, her income totaled \$7280. She does not have health insurance or retirement benefits with this job.

Help Annalise calculate the total of what was withheld from her check last year based on these percentages.

<b>Annelise's Payroll Deductions</b>	
Federal income tax (10%)	
Social Security tax (6.2%)	
Medicare tax (1.45%)	
State income tax (3%)	
Other deductions	

After all of the payroll deductions, what was Annelise's net income last year? \_\_\_\_\_

3. Jerome and Annette Fuller both have full time jobs. Jerome works in the payroll office of a big corporation and receives \$1307.69 gross pay every two weeks. He pays for health insurance for \$35 and retirement for \$17.75 each pay period. Annette earns \$2500 gross pay once a month as a pre-school teacher. Her health insurance is \$72 a month and her retirement is \$47.50.

What is their total gross pay for a year? \_\_\_\_\_

Help the Fullers calculate their net pay based on these deductions.

<b>Fuller Payroll Deductions</b>	<b>Jerome</b>	<b>Annette</b>
Federal income tax (25%)		
Social Security tax (6.2%)		
Medicare tax (1.45%)		
State income tax (3%)		
Other deductions		

After all of the payroll deductions, what is the Fuller's monthly net income (hint: you'll have to average Jerome's)? \_\_\_\_\_

## Activity 2.2

### Locate Information on a W-2 Form

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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#### ***Introduction***

A W-2 form is a statement prepared and provided by employers for employees for each tax year. Employees use their W-2 forms to file their federal and income tax returns. A W-2 shows annual gross earnings, Social Security earnings and Medicare earnings for the year. A W-2 also shows how much the employee paid in federal and state taxes for the year, in addition to special withholding from benefit plans.

#### ***Directions***

Fill in the W-2 based on the information on Brandon's earnings from Activity 2.1. Include wages, state and federal income tax, social security, and medicare tax. Assume he has the same amount taken out every paycheck (the answers from exercise 2.1 multiplied by 26).

7 Social security tips	1 Wages, tips, other comp.	2 Federal income tax withheld
8 Allocated tips	3 Social security wages	4 Social security tax withheld
9 Advance EIC payment	5 Medicare wages and tips	6 Medicare tax withheld

c Employer's name, address and ZIP code

10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12
b Employer identification number (EIN)		12b
d Employee's social security number		12c
14 Other		12d
		13 Statutory employee    Retirement plan    Third-party sick pay

e Employee's name, address and ZIP code Suff.

15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax
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18 Local wages, tips, etc.	19 Local income tax	20 Locality name	
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**Copy C for EMPLOYEE'S RECORDS**

This information is being furnished to the Internal Revenue Service. If you are required to file tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.

**Dept. of the Treasury - IRS**

(See Notice to Employee on back of Copy B.)

## Activity 2.3

### Complete a 1040 EZ Form

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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#### ***Introduction***

There are three types of federal tax returns available to taxpayers: the 1040, 1040A, and 1040 EZ. The 1040EZ is the simplest form. People who meet the following qualifications can file a 1040 EZ:

- Single or Married filing a joint tax return
- Under age 65
- Claim no dependents
- Total taxable income is less than \$100,000
- Income only consists of wages, tips, and \$1500 or less taxable interest
- Do not itemize deductions, claim adjustments, or claim tax credits

#### ***Directions***

Complete a Form 1040 EZ based on the information provided:

Jacqueline Wilson  
Address and social security number: see W2 form  
Claimed as a dependent on her parent's tax return

To complete the 1040EZ, you will also need access to the tax tables in the 1040 EZ instructions. You can find these at [www.irs.gov](http://www.irs.gov). If you have trouble search for "1040EZ tax table."

Fill in only the information you are provided here and on the tax tables. You did not receive an economic recovery payment.

7 Social security tips 161.00	1 Wages, tips, other comp. 15,775.00	2 Federal income tax withheld 2050.00
8 Allocated tips	3 Social security wages 1893.00	4 Social security tax withheld 788.00
9 Advance EIC payment	5 Medicare wages and tips	6 Medicare tax withheld 148.00

c Employer's name, address and ZIP code

MIKE GOLD  
179 POND RD  
FREEHOLD, NJ 07729

10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12
b Employer identification number (EIN)		12b
d Employee's social security number 550-23-4531		12c
14 Other		12d
		13 Statutory employee    Retirement plan    Third-party sick pay

e Employee's name, address and ZIP code

Suff.

JACQUELINE WILSON  
3232 OAK LANE  
CENTRAHOMA, OK 71717

15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax
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18 Local wages, tips, etc.	19 Local income tax	20 Locality name	
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Dept. of the Treasury - IRS

(See Notice to Employee  
on back of Copy B.)

Form  
**1040EZ**

**Income Tax Return for Single and Joint Filers With No Dependents (99) 2012**

OMB No. 1545-0074

**Name, Address, and SSN**

See separate instructions.

**Presidential Election Campaign**  
(see page 9)

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Y

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.

<b>1</b>	Wages, salaries, and tips. This should be shown in box 1 of your Form(s) W-2. Attach your Form(s) W-2.	1
<b>2</b>	Taxable interest. If the total is over \$1,500, you cannot use Form 1040EZ.	2
<b>3</b>	Unemployment compensation and Alaska Permanent Fund dividends (see page 11).	3
<b>4</b>	Add lines 1, 2, and 3. This is your <b>adjusted gross income</b> .	4
<b>5</b>	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"/> <b>You</b> <input type="checkbox"/> <b>Spouse</b> If no one can claim you (or your spouse if a joint return), enter \$9,350 if <b>single</b> ; \$18,700 if <b>married filing jointly</b> . See back for explanation.	5
<b>6</b>	Subtract line 5 from line 4. If line 5 is larger than line 4, enter -0-. This is your <b>taxable income</b> .	6
<b>7</b>	Federal income tax withheld from Form(s) W-2 and 1099.	7
<b>8</b>	Making work pay credit (see worksheet on back).	8
<b>9a</b>	<b>Earned income credit (EIC)</b> (see page 13).	9a
<b>b</b>	Nontaxable combat pay election.	9b
<b>10</b>	Add lines 7, 8, and 9a. These are your <b>total payments and credits</b> .	10
<b>11</b>	<b>Tax.</b> Use the amount on <b>line 6 above</b> 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
<b>12a</b>	If line 10 is larger than line 11, subtract line 11 from line 10. This is your <b>refund</b> . If Form 8888 is attached, check here <input type="checkbox"/>	12a
<b>b</b>	Routing number <input type="text"/>	<b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
<b>d</b>	Account number <input type="text"/>	
<b>13</b>	If line 11 is larger than line 10, subtract line 10 from line 11. This is the <b>amount you owe</b> . For details on how to pay, see page 19.	13

**Payments, Credits, and Tax**

**Refund**

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

**Amount You Owe**

**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)
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Sign Here**

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
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Spouse's signature. If a joint return, <b>both</b> must sign.	Date	Spouse's occupation	
<input type="text"/>	<input type="text"/>	<input type="text"/>	

**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	
Firm's address			Phone no.	





## Activity 2.4

### Unit Review Crossword

Name \_\_\_\_\_ Date \_\_\_\_\_ Hour \_\_\_\_\_

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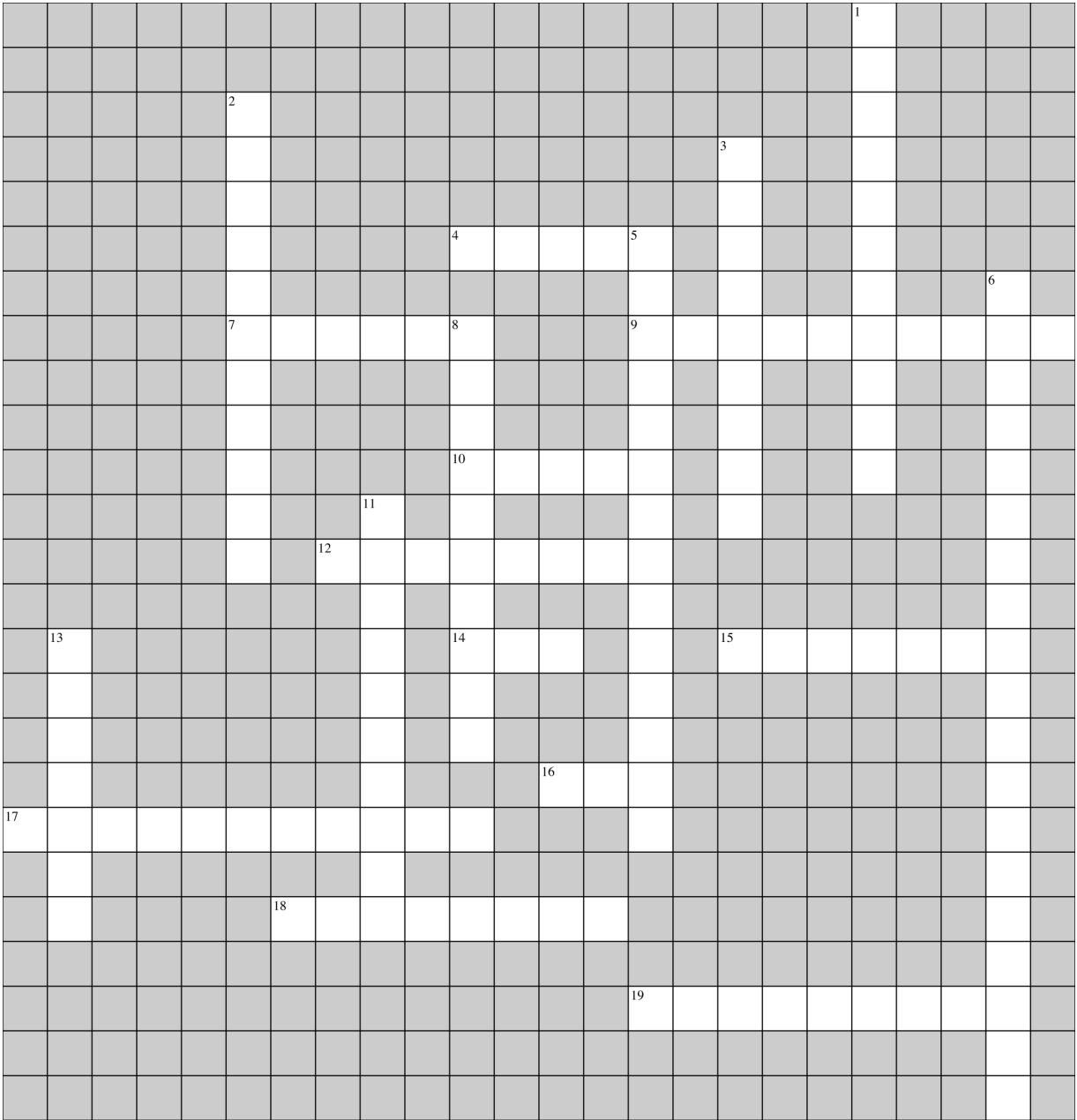
#### Clues

#### Across

4. Tax charged on what you buy
7. What you receive if you overpay taxes
9. Third word of agency that collects Oklahoma state taxes
10. Month that tax returns are due
12. National health insurance plan
14. Federal agency that enforces federal tax laws and collects federal taxes
15. W-2 forms are supposed to arrive by the end of what month?
16. Income after deductions have been taken out
17. The “W” in W-4 stands for this
18. Deductions made with pre-tax dollars are used for \_\_\_\_\_ spending accounts
19. Anything that is subtracted from gross income

#### Down

1. Tax that takes a larger percentage of income from people in higher-income groups than from people in lower-income ones
2. A tax on land and structures built on the land
3. Tax on earnings
5. Also known as FICA and OASDI
6. A system in which individuals voluntarily follow tax laws
8. Social Security started as a retirement and what other type of plan?
11. Tax that takes a larger percentage of income from people in lower-income groups than from higher-income ones
13. Refusal to pay taxes is tax \_\_\_\_\_



EclipseCrossword.com