



Income Tax Activity

When you work and you earn money (salaries, wages, tips, etc.), your employer is required to subtract a portion of your income and send it to the government. Depending on how much money you make, the federal government will take between 10 to 39 percent.

There is also state income tax. Does your state or territory have income tax?

Sample Pay Stub: The percentage of taxes you pay depends on how much money you earn.

If you earn \$500 every 2 weeks and the state income tax is 10 percent, your paycheck will show a net pay of \$450.

To Calculate Net Pay, you should take the Gross wages subtract Deductions to get your Net pay.

EARNINGS STATEMENT EXAMPLE

Corporation

PO Box 9876, Florida 32145

Employee Name	Social Sec. ID	Employee ID	Check No.	Pay Period	Pay Date
John Smith	xxx-xxx-1111	1001	86566	04/01-04/15	04/30/2016

Income	Current total
Gross Wages	2500

Deductions	Current Total
FED TAX (25%)	625
FICA Med (1.45%)	36.25
FICA-Social Security (6.2%)	155
State Income Tax (6%)	150

Gross Wages	Deductions	Net Pay
2500	965.25	1534.75

Complete the following paystub with the missing information with income tax information from your state:

EARNINGS STATEMENT EXERCISE

Corporation

PO Box 9876, Florida 32145

Employee Name	Social Sec. ID	Employee ID	Check No.	Pay Period	Pay Date
John Smith	xxx-xxx-1111	1001	86566	04/01-04/15	04/30/2016

Income	Current total
Gross Wages	2000

Deductions	Current Total
FED TAX (15%)	
FICA Med (1.45%)	
FICA-Social Security (6.2%)	
State Income Tax (%)	

Gross Wages	Deductions	Net Pay

What is FICA? Why do we contribute to Social Security and Medicare?

FICA is the Federal Insurance Contributions Act. It's a tax taken out of each paycheck to fund Social Security and Medicare benefits for retirees, the disabled, and children of deceased workers.

Which of these states do not have state income tax?

Kentucky

West Virginia

Virginia

Tennessee

North Carolina

South Carolina

Mississippi

Alabama

Georgia

Florida

