

NAME: \_\_\_\_\_

DATE: \_\_\_\_\_

# Reading a Pay Stub (1/3)

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## Directions

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1 Review these terms before completing this activity:

- **Pay period:** Set length of time (typically weekly, bi-weekly, or monthly) over which employee time is recorded and paid
- **Gross pay:** The amount people earn per pay period before any deductions or taxes are taken out
- **Net pay:** Gross pay minus deductions and taxes
- **Payroll deduction:** The amounts subtracted from gross pay, which result in your net pay
- **Pension:** A sum of money paid regularly as a retirement benefit
- **401(k):** A retirement savings plan to which contributions are made by the employee and employer and are invested; it is tax-deferred
- **FICA (Federal Insurance Contributions Act):** A payroll tax used to fund Social Security and Medicare

2 Reference the information found on the sample pay stub and answer the following questions:

A What is the employee's gross pay?

\_\_\_\_\_

B How much local tax is deducted from the paycheck?

\_\_\_\_\_

C How much state tax is deducted from the paycheck?

\_\_\_\_\_

D How much federal tax is deducted from the paycheck?

\_\_\_\_\_

E How much did the employee contribute to FICA?

\_\_\_\_\_

F How much did the employee contribute to Medicare?

\_\_\_\_\_

G How much did the employee pay for the other deductions?

\_\_\_\_\_

H What was the purpose of the other deductions?

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# Reading a Pay Stub (2/3)

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**I** What is the employee's net pay?

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**J** What percent of the employee's paycheck is deducted for taxes and other expenses?

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**3** Access the Internal Revenue Service's website at: <http://www.irs.gov/publications/p15/ar02.html#d02.html#d0e1690> (a link to this site can be found on foundationsU.com). This page consists of guidelines for what employers do with the money deducted from their employees' paychecks. Using the menu on the website, answer the following questions (Note: Words in bold type are intended to guide your search.).

**A** How must an employer report his/her employees' tips to the IRS?

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**B** What is an Employer Identification Number (EIN)?

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**C** How should an employer go about withholding tax when he/she has no regular payroll period?

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**4** You will be divided into groups. Using an online presentation tool, develop a presentation explaining the parts of a pay stub.

**5** The best presentation will be selected and shared with others.