



ANALYZING A PAYCHECK

Each pay period employers withhold a portion of the federal income tax and often part of the state income tax so that employees do not have to make one large payment at the end of the year. The paycheck stub provides information about amounts deducted from a person's pay such as social security (FICA taxes) and retirement funds.

A paycheck stub might look like this:

	Gross Pay	FICA	Federal	State	Retirement	Net Pay
CPP (current pay period)	473.30	29.34	54.00	11.93	14.19	356.98
YTD (year to date)	1,419.90	88.02	162.00	35.79	150.39	

Directions: Study the stub carefully, then do some math to answer these questions.

How many paychecks has this person received to date? **(1)** _____

What amount is actually printed on the paycheck? **(2)** _____

How much has this person had withheld for federal income tax in this pay period?

(3) _____ For state tax? **(4)** _____

What percentage of the person's gross pay is withheld for federal taxes each payment period?

(5) _____ For state tax? **(6)** _____

What percentage of gross pay is contributed to FICA? **(7)** _____ To the retirement fund?

(8) _____

Fill in this paycheck stub for someone who has worked 2 weeks for a total of 80 hours at \$8.14 an hour. The person's pay is based on 50 weeks per year. The year's total federal income tax withheld for this person will be \$2,341, and the total state tax withheld will be \$628.

	Gross Pay	FICA	Federal	State	Retirement	Net Pay
CPP (current pay period) (9)		40.37			0	

Federal taxes withheld comes to a sizable amount. Where does this money go? One way of looking at how the federal government spends your tax dollars is to apply the percentages spent by the government in different areas to the amount you pay in federal taxes. For instance, in a recent year the government spent 2.4 percent of its budget on veterans' programs. It is possible to think that 2.4 percent of your total taxes went to veterans' programs. If you paid \$1,120 in taxes, then, \$26.88 went to veterans' programs. To arrive at the dollar amount you multiply your total taxes by the percentage: $\$1,120 \times .024 = \26.88 .

Calculate how many of your tax dollars went to each of the following areas:

(10) 7.1% health _____ **(11)** 19.6% national defense _____

(12) 3.5% education _____ **(13)** 13.7% interest payment on the national debt _____