

Bring Home The Gold

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First Day of Work

What's a Form W-4?

IT'S YOUR FIRST DAY ON THE JOB. CONGRATULATIONS!

Now get ready for all the paperwork. On your first day, you'll have to fill out several forms. One of the most important is Form W-4, the *Employee's (your) Withholding Allowance Certificate*. This form will affect how much money you receive each payday, so it's important you understand it and how to fill it out properly.

WHAT'S THE PURPOSE OF FORM W-4?

This form helps your employer calculate how much income tax to take out of your paycheck and send to the federal government. You will state whether you are single or married and the number of allowances you can claim depending on whether you have kids or not, and how many jobs you have. The more allowances you claim, the less tax your employer takes out of each paycheck.

Underlined words are defined
in the Glossary on pages 21-22.



PAYDAY

What Are All These Deductions From My Paycheck?

It's exciting to receive your first paycheck, but for many people, that first rush of excitement soon turns to disappointment. They quickly realize the money in their paycheck is less than they expected. The federal government and a lot of others have taken a bite out of that paycheck.

GROSS PAY

Gross pay is the total amount of money earned before any deductions are made. For example, many employees are paid at an hourly rate. In the case of an hourly employee, the number of hours worked is multiplied by the employee's hourly rate. This results in the employee's gross pay.

NET PAY

The amount left after all deductions are taken out of the gross pay is net pay. This is the actual amount of an employee's paycheck. Net pay is often called take-home pay, because it is the amount of money an employee actually receives on payday.



Net Pay & Required Deductions
Gross pay – deductions = net pay

40 hours x \$11.00 an hour = \$440.00

Gross pay = \$440.00

Continued on next page.

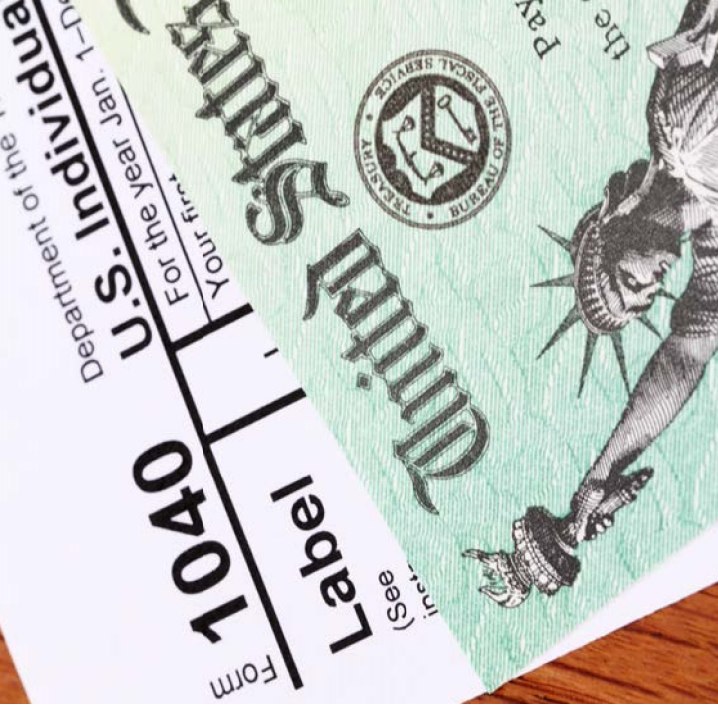
REQUIRED DEDUCTIONS

Your employer is required to take out a number of deductions from your paycheck. The actual amount withheld from a paycheck for federal, state, and local income taxes is determined by referring to tax tables provided by the various levels of government. Employers use the information provided by the tax tables and combine it with information you provided on Form W-4 to determine how much tax to take out of your

paycheck. Read below for explanations of deductions employers are required to take out of your paycheck.

Pay special attention when you fill out Form W-4 on your first day of work. This form tells the employer if you're single or married and the number of allowances you wish to claim. For example, an employee is able to claim allowances for himself or herself, a spouse, and the employee's children.

Continued on next page.



MANDATORY DEDUCTIONS FROM YOUR PAYCHECK

| Deduction | What do you get? | Who pays? |
|---|--|-----------------------|
| <u>Federal income tax</u> | Funds services provided by the federal government, such as defense, human services, and the monitoring and regulation of trade. | Employee |
| <u>State income tax</u> | Funds services provided by state government, such as roads, safety, and health. (Not all states have an income tax.) | Employee |
| <u>Local income tax</u> | Funds services provided by the city or other local government, such as schools, police, and fire protection. (Not all local areas have an income tax.) | Employee |
| <u>FICA: Social Security tax</u> (also known as OASDI) | Provides for old-age, survivors, and disability insurance benefits. | Employee and employer |
| <u>FICA: Medicare tax</u> (also known as HI) | Provides health insurance for retirees and certain disabled persons. | Employee and employer |

OTHER DEDUCTIONS

In addition to required deductions, employers may take money directly out of your paycheck to pay for various employee benefits. These benefits are called “voluntary deductions” because they are optional. You decide whether or not you want to participate in these programs.

Benefits vary by industry, by business, and by the status of the employee in the company. Benefits may include life insurance, disability insurance, medical insurance, dental insurance, and retirement savings plans. See the table below for examples.



| OTHER DEDUCTIONS* | | |
|--|--|---|
| Deduction | What do you get? | Who pays? |
| Life insurance | Pays a <u>beneficiary</u> in the event that an employee dies. | Employer or employee, or shared |
| Short- and long-term disability insurance | Provides benefits in the event that an employee is disabled and not able to work. Some states require deductions for short-term disability. | Employer or employee, or shared |
| Medical insurance | Employee and family insurance coverage for medical care expenses, including hospitalization, physician services, surgery, and major medical expenses. | Employer or employee, or shared |
| Dental insurance | Employee and family insurance coverage for dental care expenses, including <u>preventive</u> , <u>diagnostic</u> , basic, major, and orthodontic services. | Employer or employee, or shared |
| Retirement savings plan | Normally, a <u>tax-deferred</u> savings plan for retirement. | Employer or employee (Employer may match a percentage of employee's contribution) |
| Charity | A donation to a specific charity. | Employee (Employer may match a percentage of employee's contribution) |

*Whether or not these benefits are offered, and who will fund them, varies by the employer.

Exercise 1

Filing Out Form W-4

IMAGINE ARRIVING FOR YOUR FIRST DAY OF WORK AT A GOURMET COFFEE SHOP.

Along with other paperwork as you begin your job, you will fill out a Form W-4. This will help the payroll department of your employer figure out how much tax to take out of your paycheck.

YOU ARE SINGLE, WITH ONLY ONE JOB.

Use the top of the sample Form W-4, Personal Allowances Worksheet on page 8, and the Glossary on pages 20-21, to figure out your personal allowances. Then add lines A through G and finish filling out the sample Form W-4. Remember, if you don't fill out a Form W-4, your employer will take out the maximum amount of taxes from your paycheck.

Form W-4 will affect how much money you will receive each payday.



Worksheet 1

Form W-4 (2019)

Future developments. For the latest information about any future developments related to Form W-4, such as legislation enacted after this worksheet is published, go to www.irs.gov/FormW4.

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and whenever your personal or financial situation changes.

Exemption from withholding. You may claim exemption from withholding for 2019 if both of the following apply:

- For 2019 you had a right to a refund of all federal income tax withheld because you had no tax liability, and
 - For 2019 you expect a refund of all federal income tax withheld because you expect to have no tax liability.
- If you're exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2019 expires February 17, 2020. See Pub. 505, Tax Withholding and Estimated Tax, to learn more about whether you qualify for exemption from withholding.

General Instructions

If you aren't exempt, follow the rest of these instructions to determine the number of withholding allowances you should claim for withholding for 2019 and any additional amount of tax to have withheld. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

You can also use the calculator at www.irs.gov/W4App to determine your tax withholding more accurately. Consider

Specific Instructions

using this calculator if you have a more complicated tax situation, such as if you have a working spouse, more than one job, or a large amount of nonwage income not subject to withholding outside of your job. After your Form W-4 takes effect, you can also use this calculator to see how the amount of tax you're having withheld compares to your projected total tax for 2019. If you use the calculator, you don't need to complete any of the worksheets for Form W-4.

Line C. Head of household please note: Generally, you may claim these if household members live with you, you pay more than 50% of the costs of keeping up a home for yourself and a qualifying individual. See Pub. 501 for more information about filing status.

Line E. Child tax credit. When you file your tax return, you may be eligible to claim a credit for each child who is under the age 17 as of December 31, must be under dependent who lives with you for more than half the year, and must have a valid social security number. To learn more about this credit, see Pub. 972, Child Tax Credit. To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line E of the worksheet. On the worksheet you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse if you are filing a joint return.

Line F. Credit for other dependents. When you file your tax return, you may be eligible to claim a credit for other dependents for whom a child tax credit can't be claimed, such as a qualifying child who doesn't meet the age or social security number requirement for the child tax credit, or a qualifying relative (Pub. 972). To reduce the tax withheld from your pay by taking this credit into account, follow the instructions on line F of the worksheet. On the worksheet, you will be asked about your total income. For this purpose, total income includes all of your wages and other income, including income earned by a spouse if you are filing a joint return.

Line G. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line H. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line I. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line J. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line K. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line L. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line M. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line N. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line O. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line P. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line Q. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line R. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line S. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line T. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line U. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Line V. Nonresident alien, if you're a nonresident alien. See Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Form W-4 (2019) Personal Allowances Worksheet (Keep for your records.)

| | | | |
|----------|---|-------|----------|
| A | Enter "1" for yourself | ..... | A |
| B | Enter "1" if you will file as married filing jointly | ..... | B |
| C | Enter "1" if you will file as head of household | ..... | C |
| D | Enter "1" if: <ul style="list-style-type: none"> • You're single, or married filing separately, and have only one job; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. | ..... | D |
| E | Child tax credit. See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "4" for each eligible child. • If your total income will be from \$71,201 to \$179,050 (\$103,351 if married filing jointly), enter "2" for each eligible child. • If your total income will be from \$179,051 to \$200,000 (\$345,851 if married filing jointly), enter "1" for each eligible child. • If your total income will be higher than \$200,000 (\$400,000 if married filing jointly), enter "0." | ..... | E |
| F | Credit for other dependents. See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$71,201 (\$103,351 if married filing jointly), enter "1" for each eligible dependent. • If your total income will be from \$71,201 to \$179,050 (\$103,351 if married filing jointly), enter "1" for every two dependents (for example, "0" for one dependent, "1" if you have two or three dependents, and "2" if you have four dependents). • If your total income will be higher than \$179,050 (\$345,850 if married filing jointly), enter "0." | ..... | F |
| G | Other credits. If you have other credits, see Worksheet 1-6 of Pub. 505 and enter the amount from that worksheet here. If you use Worksheet 1-6, enter "0" on lines E and F | ..... | G |
| H | Add lines A through G and enter the total here | ..... | H |

Note: Use this worksheet only if you plan to itemize deductions, claim certain adjustments to income, or have a large amount of nonwage income not subject to withholding.

| | | | |
|-----------|--|-------|-----------|
| 1 | Enter an estimate of your 2019 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 10% of your income. See Pub. 505 for details | ..... | 1 |
| 2 | Enter: <ul style="list-style-type: none"> • \$24,400 if you're married filing jointly or qualifying widow(er) • \$18,350 if you're head of household • \$12,200 if you're single or married filing separately | ..... | 2 |
| 3 | Subtract line 2 from line 1. If zero or less, enter "0." | ..... | 3 |
| 4 | Enter an estimate of your 2019 adjustments to income, qualified business income deduction, and any additional standard deduction for age or blindness (see Pub. 505 for information about these items) | ..... | 4 |
| 5 | Add lines 3 and 4 and enter the total | ..... | 5 |
| 6 | Enter an estimate of your 2019 nonwage income not subject to withholding (such as dividends or interest) | ..... | 6 |
| 7 | Subtract line 6 from line 5. If zero or less, enter "0." | ..... | 7 |
| 8 | Divide the amount on line 7 by \$4,200 and enter the result here. If a negative amount, enter in parentheses. Drop any fraction | ..... | 8 |
| 9 | Enter the number from the Personal Allowances Worksheet, line H, above | ..... | 9 |
| 10 | Add lines 8 and 9 and enter the total here. If zero or less, enter "0." If you plan to use the Two-Earners/Multiple Jobs Worksheet, also enter this total on line 1 of that worksheet on page 4. Otherwise, stop here and enter this total on Form W-4, line 5, page 1 | ..... | 10 |

Note: Use this worksheet only if you plan to itemize deductions, claim certain adjustments to income, or have a large amount of nonwage income not subject to withholding.

Enter an estimate of your 2019 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 10% of your income. See Pub. 505 for details

Enter:

- \$24,400 if you're married filing jointly or qualifying widow(er)
- \$18,350 if you're head of household
- \$12,200 if you're single or married filing separately

Subtract line 2 from line 1. If zero or less, enter "0."

Enter an estimate of your 2019 adjustments to income, qualified business income deduction, and any additional standard deduction for age or blindness (see Pub. 505 for information about these items)

Add lines 3 and 4 and enter the total

Enter an estimate of your 2019 nonwage income not subject to withholding (such as dividends or interest)

Subtract line 6 from line 5. If zero or less, enter "0."

Divide the amount on line 7 by \$4,200 and enter the result here. If a negative amount, enter in parentheses. Drop any fraction

Enter the number from the Personal Allowances Worksheet, line H, above

Add lines 8 and 9 and enter the total here. If zero or less, enter "0." If you plan to use the Two-Earners/Multiple Jobs Worksheet, also enter this total on line 1 of that worksheet on page 4. Otherwise, stop here and enter this total on Form W-4, line 5, page 1

Exercise 2

Questions

1. What is gross pay? _____
2. What is net pay? _____
3. True or False? Your paycheck = total hours worked x rate of pay. _____
4. Name two mandatory deductions. _____

5. Name three other deductions. _____

Exercise 3

Calculating a Paycheck #1

IMAGINE YOU ARE A NEW EMPLOYEE AT A GOURMET COFFEE SHOP

The coffee shop pays its employees each week. You have claimed single and one allowance on your Form W-4. You work 40 hours per week at \$11.00 per hour. Use the background information, the Federal and State Tax tables on pages 12 and 13, and information on the form below to calculate your net pay.



Employee's name: _____

Pay period Weekly Semimonthly Monthly

Number of allowances _____ (0 or more) Single Married

GROSS PAY

1. You work _____ hours at \$_____ per hour = _____

DEDUCTIONS

2. Federal Income Tax (See Federal Tax table on page 12.) _____

3. State Income Tax (See State Tax table on page 13.) _____

4. FICA: Social Security Tax (6.20% x gross pay) _____

5. FICA: Medicare Tax (1.45% x gross pay) _____

6. **Total Deductions (total lines 2 through 5)** _____

Net Pay (subtract line 6 from line 1) _____

Exercise 4

Calculating a Paycheck #2

IMAGINE YOU ARE A NEW ASSISTANT MANAGER AT A GOURMET COFFEE SHOP

Gourmet coffee shop pays its employees each week.

You have claimed single and zero allowances on your Form W-4. You work 40 hours per week at \$12.00 per hour. Use this background information, the Federal and State Tax tables on pages 12 and 13, and information on the form below to calculate your net pay.



Employee's name: _____

Pay period Weekly Semimonthly Monthly

Number of allowances _____ (0 or more) Single Married

GROSS PAY

1. You work _____ hours at \$_____ per hour = _____

DEDUCTIONS

2. Federal Income Tax (See Federal Tax table on page 12.) _____

3. State Income Tax (See State Tax table on page 13.) _____

4. FICA: Social Security Tax (6.20% x gross pay) _____

5. FICA: Medicare Tax (1.45% x gross pay) _____

6. **Total Deductions (total lines 2 through 5)** _____

Net Pay (subtract line 6 from line 1) _____

Table 1

Federal Tax Table

Single Persons/
Weekly Payroll
Period

Wage Bracket Method Tables for Income Tax Withholding

SINGLE Persons—WEEKLY Payroll Period
(For Wages Paid through December 2019)

| And the wages are— | | And the number of withholding allowances claimed is— | | | | | | | | | | |
|--------------------|---------------|--|------|------|------|------|------|------|------|------|------|------|
| At least | But less than | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| \$ 0 | \$ 73 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 73 | 84 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 84 | 95 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 95 | 106 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 106 | 117 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 117 | 128 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 128 | 139 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 139 | 150 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 150 | 161 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 161 | 172 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 172 | 183 | 0 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 183 | 194 | 0 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 194 | 205 | 0 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| 205 | 216 | 0 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| 216 | 227 | 0 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| 227 | 238 | 0 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| 238 | 249 | 0 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 |
| 249 | 260 | 0 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 260 | 271 | 0 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| 271 | 282 | 0 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| 282 | 293 | 0 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 |
| 293 | 304 | 0 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| 304 | 315 | 0 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| 315 | 326 | 0 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| 326 | 337 | 0 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| 337 | 348 | 0 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| 348 | 359 | 0 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| 359 | 370 | 0 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| 370 | 381 | 0 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| 381 | 392 | 0 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| 392 | 403 | 0 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| 403 | 414 | 0 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 | 27 |
| 414 | 425 | 0 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| 425 | 436 | 0 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 | 29 |
| 436 | 447 | 0 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 | 31 |
| 447 | 458 | 0 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 | 32 |
| 458 | 469 | 0 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| 469 | 480 | 0 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 | 35 |
| 480 | 491 | 0 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 | 36 |
| 491 | 502 | 0 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 |
| 502 | 513 | 0 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| 513 | 524 | 0 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| 524 | 535 | 0 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| 535 | 546 | 0 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |
| 546 | 557 | 0 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 | 44 |
| 557 | 568 | 0 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 | 45 |
| 568 | 579 | 0 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 | 47 |
| 579 | 590 | 0 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| 590 | 601 | 0 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 | 49 |
| 601 | 612 | 0 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 | 51 |
| 612 | 623 | 0 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 | 52 |
| 623 | 634 | 0 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 |
| 634 | 645 | 0 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| 645 | 656 | 0 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 | 56 |

Getting Paid

Go Green With Your Green

Every year, billions of paychecks are issued to America's 156 million or so employees, but how you're paid could be damaging the environment. There are two different ways that you can be paid electronically to make your paycheck more environmentally friendly.

DIRECT DEPOSIT

Direct deposit is a method of electronic pay. It works by depositing your pay directly into your checking or savings account through a highly secure, electronic banking system. Direct deposit is the cheapest and most reliable way to receive your pay, and the federal government protects bank accounts up to \$250,000.

BENEFITS OF DIRECT DEPOSIT

- Your pay goes straight into your bank account.
- No waiting in line at the bank drive-through, idling your car and releasing dangerous ozone-depleting emissions.
- Your money is always there on payday, even when payday is a day you do not work.
- You won't have to pay check cashing fees.
- Most banks offer free ATM cards to access your pay anytime, at an ATM or as cashback from a retailer. Fees may apply at other banks' ATMs.
- You can check your balance via online, smartphone app, telephone, text messaging

(standard data rates may apply), or at an ATM (fees may apply at ATMs). Most banks also offer free services like online transfer of funds, bill paying, etc.

PAYCARDS

What if you don't have a checking or savings account where your employer can deposit your pay? Is a paper paycheck your only option?

Having your employer deposit your pay onto a paycard is an alternative to receiving a paper check. Paycards represent a way for employees without a checking or savings account to take advantage of the conveniences of electronic pay.

A paycard is a plastic card that works like a debit card and is available through many employers. Your employer will deposit your pay onto your paycard on payday. You can then use the card to pay for things anywhere debit cards are accepted.

If you need cash, you can get your money from an ATM or get cash back when you purchase something at a retailer. If you don't have a checking or savings account, paycards are your next best electronic pay option and can be less expensive than receiving a paper check.

Fees can be associated with the paycard, so please look at the chart on page 15 for a



To sign up for direct deposit, talk to your company's payroll department.

breakdown of how these fees compare to costs associated with other payment methods. Typically, though, there are no monthly fees and no fee charged to the employee on payday. Additionally, most employers negotiate for at least one fee-free ATM withdrawal per pay period, per employee. Paycards, like bank accounts, have safeguards built-in by the federal government to protect your money.

View the chart on page 15 for a breakdown of how these fees compare to costs associated with other payment methods. Contact the provider that issued your card (via the toll-free number or website information on your card) to ask about fees.

Once you get the card, you would notify your employer that you would like your pay deposited on the card. Like direct deposit, your pay will be deposited and your money will be available immediately.

Understanding Banking Fees

BENEFITS OF PAYCARDS

- Access your pay anytime at an ATM or as cash back from a retailer. Fees may apply.
- Make purchases anywhere debit cards are accepted including online or to pay bills.
- If your card is lost or stolen, it can be replaced. For more details please visit the website shown on the card or welcome materials, or call customer service.
- You can check your balance via online, phone, text messaging (standard data rates may apply), or at an ATM (fees may apply at ATMs). Some card providers may also offer services like bill paying and funds transfer. To find out if your employer offers paycards, ask your employer's payroll department.



| EXAMPLE OF MONTHLY FINANCIAL SERVICE FEES ¹ | | | | |
|---|------------------------------------|------------------------------|------------------------------|---|
| | PAPER PAYCHECK | DIRECT DEPOSIT | PAYCARD FEES ² | PREPAID RELOADABLE CARD FEES ² |
| Check Cashing (4 checks/month @ \$500.00 each or \$2,000.00 total) | \$30.00 – \$80.00 ⁷ | \$0.00 | \$0.00 | \$0.00 – \$8.00 |
| Bill Pay | \$8.70 | \$0.00 | \$0.00 | \$0.00 – \$2.50 |
| Enrollment Fee | \$0.00 | \$0.00 | \$0.00 | \$0.00 – \$18.00 |
| Monthly Fee | Not Applicable | \$0.00 – \$7.00 ⁴ | \$0.00 ³ | \$5.00 – \$9.95 (fee may be waived if you maintain a high balance) |
| ATM Fees (based on 4 transactions and estimated at \$4/transaction) | Not Applicable | \$0.00 ⁴ | \$0.00 ³ | \$16.00 |
| MONTHLY COST | \$38.70 – \$88.70 ⁷ | \$0.00 – \$7.00 | \$0.00 – \$8.00 ⁵ | \$21.00 – \$36.45 ⁸ |
| ANNUAL COST | \$464.40 – \$1,064.40 ⁷ | \$0.00 – \$84.00 | \$0.00 – \$96.00 | \$252.00 – \$455.40 ⁶ |

¹ Sample monthly fee schedule. Fees vary by issuer and provider. One time activation fee, ATM fees, transaction fees and reload fees will apply at various reload stations. Your fees and potential savings may vary based on the type of card you select.

² Based on direct deposit of paycheck to a paycheck or prepaid reloadable card.

³ Paycards typically do not have a monthly fee and allow one free ATM transaction per pay period.

⁴ Fees on checking and savings accounts vary. Many banks offer free checking and savings accounts, and will allow free unlimited transactions at their own ATM machines. Be aware that banks charge an average of \$33 per bounced check fee (<https://www.bankrate.com/banking/checking/2016-bankrate-checking-account-survey>).

⁵ The \$8 estimate assumes two additional non-paycheck ATM transactions per month at \$4/transaction. Some retailers may offer fee-free transactions at their point-of-sale terminals.

⁶ Other fees may include: Customer Service Calls, \$0.00 – \$1.50; and Replacement Card Fees, \$3.95 – \$5.95.

⁷ Based on check cashing industry fees, which average between 1.5% – 4%.

⁸ Not including potential enrollment fee.

Paycards can offer unbanked workers an economical, safe and convenient way to receive their wages. But not all cards are created equal. The guidelines below were developed to help you make an informed decision before signing up for a paycard with your employer.

If you're to be paid by paycard, be sure to verify with your employer on all of the following:

1. **Can I access my full wages in cash at least once each pay period without fees?** Free and clear access is required by the state wage and hour laws and is critical to the success of any paycard program. Common methods of cash access include bank teller transactions, ATM withdrawals, convenience checks, and cash back from point of sale purchases.
2. **Do I have a choice of another payment method?** If so, can I change my choice later? Under federal law, employees cannot be forced to receive their wages on a paycard, and must have the choice of another payment method, typically direct deposit to an account of the employee's choosing. State wage and hour laws may also require a choice of a paper paycheck option. Verify that employees can change how they're paid if they want to do so.
3. **Is the paycard offered widely accepted?** The logo of a widely accepted payment brand (i.e., Visa, Mastercard, or Discover) signals to employees that they can take their card to any bank that displays the logo of the payment brand and receive their full wages from the teller each pay period without fees. In addition, branded paycards can be used to make purchases and pay bills in person, online, and over the telephone. A wide, convenient surcharge-free ATM network linked to the paycard is also important to help employees avoid third party ATM surcharge fees.

4. **Your employer should provide clear information and training on use of the paycard and possible fees.** Training can ensure that employees understand the key terms and know how to access their wages without fees. Pricing for discretionary services should be reasonable and easily understandable.
5. **You must be provided free and convenient access to account information.** You need free access to account information to check your balance, spot unauthorized charges, monitor fees, and manage your finances. You should not be charged a fee for responsible behavior, such as checking your balance using an automated telephone system. Additional free means of accessing account information, like automated text messages and smart phone applications, are becoming more common.
6. **Is the card balance protected by deposit insurance?** Your wages must be protected if the bank holding the funds goes out of business. Employers should select a program that maintains payroll funds in an FDIC- or NCUA-insured account on a pass-through basis to the individual cardholder.
7. **Does the card have overdraft protection?** Paycards are often promoted as a budgeting tool for low income workers. You usually can spend only those funds deposited onto the card. To prevent confusion and ensure that the program truly promotes financial responsibility, employers should consider selecting programs that do not offer overdraft protection or other embedded credit features. Such features can be unsafe for employees if used unwisely and can result in a cycle of debt. This principle does not prohibit a program from covering an occasional inadvertent overdraft transaction if there is no charge to the employee.
8. **Be wary of employer incentives.** Some paycard programs pay cash incentives to the employer. Those funds might be better spent improving the card program for employees.

Exercise 5

Questions

Using the chart below, decide how each employee should ask to be paid.

1. Should Bobby ask to be paid differently if he opens a bank account while working for the coffee shop?

2. Valerie just opened a bank account and started working for a local restaurant that offers paycards and direct deposit. How should she ask to be paid?

3. Emily's company pays employees by direct deposit or paycards only. Emily doesn't have a bank account. How should she ask to be paid?



| | | | | |
|---|---|------------------------------------|---|-----------------------|
| Your company offers direct deposit only | + | You DO have a checking account | = | Direct Deposit |
| Your company offers direct deposit AND paycards | + | You do NOT have a checking account | = | Paycards |

Reference

Minimum Wage

WHAT STATE DO YOU LIVE IN?

As of March 1, 2019, 29 states and the District of Columbia have a minimum wage rate higher than the federal minimum wage

The federal minimum wage is \$7.25 per hour.

DO YOU WORK AS A WAITER?

If you do, you'll get paid no less than \$2.13 per hour plus tips. Some states may require a higher hourly rate. In these states, you must be paid the higher amount.

\$2.13 per hour + tips = at least the federal minimum wage*

*If not, your employer must make up the difference.

| | |
|-----------------------------|--|
| Alaska | \$9.89 |
| Arizona | \$11.00 |
| Arkansas | \$9.25 |
| California | \$12.00 (large employers) \$11.00 (small employers) |
| Colorado | \$11.10 |
| Connecticut | \$10.10 |
| Delaware | \$8.75 (\$9.25, effective 10/1/19) |
| District of Columbia | \$13.25 (\$14.00, effective 7/1/19) |
| Florida | \$8.46 |
| Hawaii | \$10.10 |
| Illinois | \$8.25 |
| Maine | \$11.00 |
| Maryland | \$10.10 |
| Massachusetts | \$12.00 |
| Michigan | \$9.45 |
| Minnesota | \$9.86 (large employers) \$8.04 (small employers) |

| | |
|----------------------|--|
| Missouri | \$8.60 |
| Montana | \$8.50 (\$4.00 if annual gross sales are \$110,000 or less) |
| Nebraska | \$9.00 |
| Nevada | \$8.25 (\$7.25 if employer provides health benefits) |
| New Jersey | \$8.85 |
| New Mexico | \$7.50 |
| New York | \$15.00 (large employers, New York City) \$13.50 (small employers, New York City) \$12.00 (Long Island, Westchester County) \$11.10 (rest of state) |
| Ohio | \$8.55 (\$7.25 if annual gross receipts of \$314,00 or less) |
| Oregon | \$12.00 (Portland metro counties; \$12.50, effective 7/1/19) \$10.75 (standard counties; \$11.25, effective 7/1/19) \$10.50 (nonurban counties; \$11.00, effective 7/1/19) |
| Rhode Island | \$10.50 |
| South Dakota | \$9.10 |
| Vermont | \$10.78 |
| Washington | \$10.78 |
| West Virginia | \$8.75 |

Reference

Overtime

Your employer is required by federal law to pay an overtime rate of 1.5 times your regular pay for all hours worked over 40 in one week. In Alaska, California, and Nevada overtime is paid for all hours worked over eight in one day. Employees in Colorado earn overtime on the greater of 40 hours per week or 12 hours per day. In Oregon, manufacturers must pay overtime for hours in excess of 8 in a day.

Example:

You work 48 hours in one week at \$11 per hour.

\$11 per hour x 48 hours = \$528

\$11 per hour x 8 hours x .5 = \$44

Gross Pay = \$528 + \$44 = \$572



Some states may require further restrictions for teen workers. Visit your state's department of labor website to learn more about state regulations that affect you and your job.

Teen Jobs

TO WORK IN MOST JOBS, YOU MUST BE 16 YEARS OLD.

According to the U.S. Department of Labor, teens age 14 and 15 may work in various jobs, but they must follow these rules:

1. May not work more than three hours on a school day or 18 hours in a school week.
2. May work eight hours on a non-school day or 40 hours in a non-school week.
3. May not begin work before 7 a.m. or end after 7 p.m., except in the summer when evening hours are extended until 9 p.m.

Understanding important paycheck basics



Workday, Inc. Money Matters National Education Day Scholarship

Complete a short online quiz based on the content you just learned in the “Bring Home the Gold” lesson plan and you could be randomly selected as a scholarship winner!

The American Payroll Association will award one (1) \$5,000 scholarship and two (2) \$1,000 Scholarships, eligible to any high school student or individual pursuing continued education who shows an acceptable understanding of the Money Matters National Education Day curriculum.

Visit www.nationalpayrollweek.com/money-matters-scholarship to learn more!

The deadline to apply is September 30, 2019.

Show off the paycheck knowledge you just learned, and you could receive a **\$5,000** or **\$1,000 scholarship** from the American Payroll Association and Workday!

Glossary

- Allowances:** Also called withholding allowances. Allowances indicate to employers how much tax to withhold from each employee's paycheck and also help them determine tax breaks for employees. The more allowances claimed on a Form W-4, the less money a company will withhold for taxes. Visit <https://www.irs.gov/individuals/irs-withholding-calculator> to access a tool from the IRS to help gauge if you are having enough taxes withheld from your paycheck.
- American Payroll Association:** A professional association that educates the individuals who calculate employee paychecks — payroll professionals. More information is available at www.americanpayroll.org.
- Beneficiary:** A person or group selected to collect funds or other property under an insurance policy, retirement savings plan, or other legal document, in the event of an individual's death.
- Benefits:** Perks offered by your employer, such as medical and dental insurance. May be paid for by the employer, the employee, or a combination of both.
- Child Tax Credit:** Employees who have children under the age of 17 may be eligible to save up to \$2,000 in taxes per child.
- Deductions:** An amount subtracted from a paycheck. The amounts are used to fund government programs, personal savings, and more (see pages 5-6).
- Dependents:** The employee's unmarried children under age 19 (age 24 if the child is a student).
- Diagnostic:** Testing done by a doctor or insurance company to find out if an employee has a disease or other condition.
- Direct Deposit:** The electronic deposit of funds into a financial account.
- Dividends:** A portion of a company's earnings paid to people who own stock in that company.
- Exempt:** Not legally required to pay taxes. Generally, you may claim exempt if you had no federal income tax liability in 2018 and expect no federal income tax liability in 2019 and if you are single and earn less than \$12,200. However, if your parents claim you as a dependent on their tax return, you can generally earn up to \$12,200 and exempt as long as your unearned income (interest & dividends) is less than \$350. As a dependent, you can also claim exempt if you have more than \$350 of unearned income and your total income is less than \$1,100.
- Federal Income Tax:** A tax on the money an employee earns that is used to fund the federal government. It's typically deducted from your paycheck automatically. The amount deducted is based on how much you earn and the marital status and allowances you claimed on the Form W-4.
- FICA:** Federal Insurance Contributions Act. A law that requires all employees to contribute 7.65% of their earnings toward Social Security (6.2% of up to \$132,900) and Medicare (1.45% of all wages) programs.
- Form W-4:** A form typically filled out when you begin a job. Your employer determines how much income tax to deduct from your paycheck based on how many allowances you claimed on the form.
- Gross Pay:** Your total pay before any deductions are subtracted.
- Local Income Tax:** A tax on the money an employee earns that is used to fund the local government. It's typically deducted from your paycheck automatically.

Glossary

- Medicare:** A federal program that provides medical insurance to Americans with certain disabilities and those who are age 65 or older. The program is funded as part of FICA.
- Minimum Wage:** The lowest hourly wage employers may legally pay their employees.
- National Payroll Week:** Held annually during the week of Labor Day (September 2-6, 2019), this campaign educates employees in America about their paychecks, the payroll withholding system, and payroll-related benefits. More information is available at www.nationalpayrollweek.com
- Net Pay:** Actual amount of an employee's paycheck after deductions are subtracted.
- Overtime Pay:** A premium pay rate for any work done beyond 40 hours in one week. Under federal law, employees must be paid 1.5 times their regular rate of pay for hours worked beyond 40 in one week. Overtime rules vary by state. Visit your state's department of labor website to learn more about state overtime rules.
- Paycard:** Issued by an employer to an employee, a paycard works like a debit card. An employer will deposit an employee's net pay onto the card each payday. Paycards typically do not have a monthly fee, and an employee can usually make a certain number of fee-free withdrawals each month from authorized ATMs. Point-of-sale purchases are usually fee-free.
- Preventive:** Treatment plan created by a physician that prevents or slows the advancement of an illness or disease.
- Single:** Not legally married. You're still legally single even if you are dating someone.
- Social Security:** A federal program that provides an income to surviving family members of an employee who dies, retired persons age 62 or older, and the disabled. The program is funded as part of FICA.
- Spouse:** The husband or wife of an employee.
- State Income Tax:** A tax on the money an employee earns that is used to fund the state government. It's typically deducted from your paycheck automatically. The amount deducted is based on how much you earn and the allowances you claimed on the Form W-4 or a state form that serves the same purpose.
- Tax Credit:** An amount you can subtract from the tax you would otherwise owe; see Child Tax Credit entry.
- Tax-Deferred:** Money that will be taxed at a later date.
- Tax Liability:** The amount of tax you must pay.
- Withholding:** An amount from your paycheck that your employer sends to the government as payment for your tax liability.

Good luck!

2019 Student Workbook

Bring Home The Gold

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