

**Paychecks and Tax Forms
Student Note Guide**

Name: _____

Where Does My Money Go?

Almost _____ % of an individual's paycheck is deducted

Taxes are the _____ expense most individuals will have

U.S. tax system operates on an _____ payment system

Taxes are immediately paid on income earned

Paying Employees

Three methods employers may use to pay employees:

1. Paycheck-

Most _____ method
_____ responsible for handling the paycheck

Immediately see payroll _____ and _____

2. Direct Deposit-

Employers directly deposit employee's paycheck into the _____ employee's
depository institution account

Employee receives the paycheck _____ detailing the paycheck deductions - could be _____

Most _____ because there is no direct _____ of the check

Employee knows _____ when paycheck will be deposited and available

3. Payroll Card-

A payroll card _____ carries the balance of the employee's _____
pay

Funds are directly deposited by an employer into an account at a depository institution that
is _____ to the payroll card

_____ involved: Employer, Employee, Depository institution

Use the payroll card for _____ withdrawals or to make _____

There are numerous _____ associated with payroll cards. The number of fees depends
upon the depository institution. Examples:

Monthly or _____ fee

ATM fee

_____ fee

Fee after a specific number of _____

_____ fee if the card is lost, stolen,
destroyed

_____ fee (when funds are placed on the card account)

Point of sale (POS) fee for using the card at a POS

_____, or an electronic payment processor

Benefits of Using Payroll Cards:

Employers

Lower internal _____

Costs associated with producing, handling, and distributing pay _____ is eliminated

Depository Institutions

_____ from the fees charged to employees, employers, and merchants

Employees

_____ than carrying large amounts of cash
_____ employees do not have to pay check-cashing fees
(Americans roughly spend \$8 billion annually in check cashing fees)
Can access electronic monthly _____ of transactions
Can receive a _____ card
Give _____ to children
Send money _____
Easily make online _____

Consumer Protection with Payroll Cards

Regulation E – Electronic Fund Transfer Act

Protects payroll card holder from _____ charges on lost or stolen cards
Cardholder is only liable for \$ _____ if a lost or stolen card is reported within _____ hours
(Over four million paychecks are stolen annually with no protection to employees)
Regulation E provides exceptional safety and protection for payroll _____

Taxes – Compulsory charges imposed on _____ by local, state, federal governments.
Used to provide _____ goods and services.
Largest amount of taxes a person pays is on his/her _____.
Internal Revenue Service (_____) – Collects _____ taxes, issues regulations, and enforces tax laws written by the United States Congress.

Starting a New Job

To receive a paycheck, an employee must:
Complete a Form W-4 - Employee's Withholding Allowance Certificate
Complete a Form I-9 - Employment Eligibility Verification

Form W-4

Employee's Withholding Allowance Certificate

Determines the percentage of _____ pay which will be withheld for taxes

Allowances

Used to determine the amount of _____ taxes withheld from the paycheck

A person may claim a _____ allowance if no one else claims the person as a dependent

Dependent – a person who relies on the taxpayer for _____ support

Steps to Completing a W-4

Print or type legal name on Line 1 and home address directly below the name

Write Social Security number on Line 2

On Line 3, check the appropriate box to indicate marital status

Enter a zero on Line 5 if not claiming any allowances

Sign name and date the form before giving it to the employer

Keep a _____ for personal records

Form I-9

Employment Eligibility Verification Form

Used to verify the eligibility of individuals to avoid hiring

_____ workers or others who are _____ eligible to work
in the United States

Must provide documentation which establishes _____ and employment eligibility

Examples include driver's license, passport, Social Security card, and birth certificate

Reading a Paycheck

Paycheck Stub - A document included each pay period, which outlines paycheck deductions such as:

Personal Information

Pay Period

Gross Pay

Net Pay

Deductions

Federal Withholding Tax

State Withholding Tax

FICA - (Federal Insurance Contribution Act)

Social Security

Medicare

Medical

Retirement Plan

Year-to-Date

