

# *Let's Talk* **TAXES**

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Your pay stub is a source of valuable information



The image shows a stylized illustration of two hands holding a document titled "Earnings Statement". The document is a form with various fields and a table. At the top, there are three horizontal lines for a header. Below this, the title "Earnings Statement" is prominently displayed. The form includes fields for "EMPLOYEE NO.", "EMPLOYEE NAME", and "SOCIAL SECURITY NO.". Below these fields is a table with columns for "EARNINGS", "RATE", "HOURS", "TOTAL", "DEDUCTIONS", "AMOUNT", and "YTD". The table has several rows of data, each represented by a horizontal line. At the bottom of the form, there are two more fields: "NET PAY" and "YTD NET PAY".

EMPLOYEE INFORMATION		
EMPLOYEE NO.	EMPLOYEE NAME	SOCIAL SECURITY NO.

EARNINGS	RATE	HOURS	TOTAL	DEDUCTIONS	AMOUNT	YTD

NET PAY	YTD NET PAY

It shows you **how your income is distributed**, gives you a heads-up on **what to expect at tax time** and allows you to set a **realistic budget**



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EMPLOYEE INFORMATION		
EMPLOYEE NO.	EMPLOYEE NAME	SOCIAL SECURITY NO.

EARNINGS	RATE	HOURS	TOTAL	DEDUCTIONS	AMOUNT	YTD

NET PAY	YTD NET PAY

*Understanding your*  
**PAYCHECK**



## Gross Pay

The total amount you earn before withholdings

You usually think of it in terms of your salary or your hourly wage



## Net Pay

Your take-home pay

It's what's left of  
your earnings after  
withholdings have  
been deducted



## Withholdings

The portion of your paycheck that your employer withholds for the government

These can also be referred to as **Involuntary** or **Mandatory Deductions**



## Deductions

Other, voluntary amounts that are taken from your paycheck

They vary from person to person and are also known as **Voluntary Deductions**



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# Your pay stub may look a little different

Keep in mind that your pay stub may use the term “deduction” to refer to **both** withholdings **and** deductions



*Let's talk*  
**WITHHOLDINGS**

# FEDERAL TAXES



**Federal income tax is automatically deducted from your paycheck**

The amount deducted depends on the federal tax rate as well as how much money you make

# FEDERAL TAXES

Your federal tax dollars go toward things like:



***Unemployment  
Benefits***



***Education***



***Infrastructure***



***National  
Defense***

# FEDERAL TAXES



The amount of tax withheld on your paycheck might be higher or lower than the actual amount of federal tax due to the government, so you may find yourself owing additional funds or getting a refund at tax time

# STATE AND LOCAL TAXES



**Depending on where you live,**  
amounts may also be withheld for  
state and local taxes

# STATE AND LOCAL TAXES

Your state and local tax dollars go toward things like:



***Schools***



***Parks and  
Recreation***



***Public  
Transportation***



***Low-Income  
Assistance***

# FICA



Taxes from the **Federal Insurance Contributions Act (FICA)**

provide support for disability and retirement as help with medical costs for seniors and those on Social Security



# FICA

FICA taxes are used for:



***Social Security***



***Medicare***

*Let's talk*

# **VOLUNTARY DEDUCTIONS**

# VOLUNTARY DEDUCTIONS

## RETIREMENT SAVINGS

Contributions to your 401(k) can be taken directly from your pay



## EMPLOYER-PROVIDED HEALTH COVERAGE

This includes premiums for extended medical, dental or vision plans



## LIFE INSURANCE

Insurance coverage premiums may also be deducted



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Sources: IRS, Duke University, The Balance

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