YOUR PAYCHECK

2009 Edition

Is What You Don’t Know About Payroll Taxes and Employment Law Costing You Money?

Learn What You Need To Know!

The American Payroll Association
YOUR PAYCHECK

Is What You Don’t Know About Payroll Taxes and Employment Law Costing You Money?
In the preparation of this text, every effort has been made to offer the most current, correct, and clearly understandable information possible. Nonetheless, inadvertent errors can occur, and payroll rules and regulations are constantly changing.

This material is distributed with the understanding that the publisher and author are not engaged in rendering legal, accounting, or other professional services. If legal advice or other professional assistance is required, the service of your attorney or certified public accountant should be sought. The publisher disclaims any responsibility for positions taken by practitioners in their individual cases or for any misunderstanding on the part of readers. The information in this text is current as of March 1, 2009.

© 2009, American Payroll Institute, Inc.
All rights reserved. No portion of this text can be reproduced in any format without prior permission of the American Payroll Institute, Inc.

Please visit our Web site at www.americanpayroll.org

ISBN: 978-1-934951-17-0

Printed in the United States
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>iv</td>
</tr>
<tr>
<td><strong>Chapter 1: When You Get a Job</strong></td>
<td>1</td>
</tr>
<tr>
<td>Getting Started: Your Social Security Number (SSN)</td>
<td>2</td>
</tr>
<tr>
<td>What’s so important about a social security number?</td>
<td>2</td>
</tr>
<tr>
<td>So how do I get an SSN?</td>
<td>3</td>
</tr>
<tr>
<td>If my name changed recently, do I need a new social security card?</td>
<td>3</td>
</tr>
<tr>
<td>Proving Your Right to Work: U.S. Citizenship and Immigration Services Form I-9, <em>Employment Eligibility Verification</em></td>
<td>3</td>
</tr>
<tr>
<td>How can I prove my identity and right to work in the U.S.?</td>
<td>6</td>
</tr>
<tr>
<td>What’s the purpose of this form?</td>
<td>6</td>
</tr>
<tr>
<td>What are withholding allowances?</td>
<td>6</td>
</tr>
<tr>
<td>Attention nonresidents!</td>
<td>8</td>
</tr>
<tr>
<td>So how does all this work in real life?</td>
<td>8</td>
</tr>
<tr>
<td>Can you claim to be exempt from federal income tax withholding?</td>
<td>8</td>
</tr>
<tr>
<td>When do I have to submit a new W-4 form?</td>
<td>10</td>
</tr>
<tr>
<td>What if my employer rejects my W-4?</td>
<td>11</td>
</tr>
<tr>
<td>Paying Your Fair Share, Part II: State Employee Withholding Allowance Certificates</td>
<td>12</td>
</tr>
<tr>
<td><strong>Chapter 2: Paycheck Basics</strong></td>
<td>13</td>
</tr>
<tr>
<td>Getting Paid</td>
<td>14</td>
</tr>
<tr>
<td>How often will I be paid?</td>
<td>14</td>
</tr>
<tr>
<td>How will I be paid?</td>
<td>14</td>
</tr>
<tr>
<td>What is direct deposit? How can it benefit me?</td>
<td>14</td>
</tr>
<tr>
<td>What if I quit my job or am laid off?</td>
<td>15</td>
</tr>
<tr>
<td>How Do You Know Your Check Is Correct? The Wage-Hour Laws</td>
<td>16</td>
</tr>
<tr>
<td>What does it mean to be an “exempt” or “nonexempt” employee?</td>
<td>16</td>
</tr>
<tr>
<td>What is your “regular rate of pay”?</td>
<td>19</td>
</tr>
<tr>
<td>What is a workweek?</td>
<td>19</td>
</tr>
<tr>
<td>How are tips handled?</td>
<td>20</td>
</tr>
<tr>
<td>How does overtime pay work?</td>
<td>21</td>
</tr>
</tbody>
</table>
Chapter 3: Taxes, or, Where Did All That Money Go? .... 23

Income and Employment Taxes .......................................................... 24
What do all those numbers on my pay stub mean? .................... 24
What are income taxes? ............................................................... 24
How do I calculate income taxes? ................................................ 24
What are employment taxes? ....................................................... 29
How do I calculate social security and Medicare taxes? .......... 30
Social Security Summary................................................................. 31
Medicare .................................................................................. 31
State Unemployment and Disability Insurance Taxes ............... 32

Chapter 4: Pre-Tax Deductions, or, How to Reduce the Income Taxes You Pay ........................................... 33

“Tax-Deferred” Retirement Plans .................................................... 34
Section 401(k) plans ................................................................... 35
Section 403(b) plans ................................................................... 35
Section 457(b) plans................................................................... 36
“Cafeteria” Plans .......................................................................... 36
The advantage of paying for benefits with pre-tax deductions.... 37
The menu ................................................................................... 37
Flexible spending accounts (FSAs) ............................................ 38
Medical Savings Accounts............................................................. 38
Health Savings Accounts............................................................. 39
Transportation Fringe Benefits .................................................... 40
Calculating Your Pre-tax Deductions .......................................... 40

Chapter 5: After-Tax Deductions .............................................. 43

Involuntary Deductions ................................................................. 44
Unpaid taxes ............................................................................... 44
Child support withholding orders ............................................. 46
Creditor garnishments ............................................................... 47
Bankruptcy orders .................................................................. 49
Student loans .......................................................................... 49
Other federal debts ................................................................. 50
Voluntary Deductions ................................................................. 50
Wage assignments .................................................................. 50
Union dues ............................................................................. 51
Credit union deductions ......................................................... 51
U.S. Savings Bonds ................................................................ 52
Contributions to charity .......................................................... 52
Chapter 6: Your Rights and Responsibilities in the Workplace

First, the Basics: Form W-2, Your Wage and Tax Statement ............... 56
Your W-2 may come to you by e-mail or over the Internet ...... 57
The Earned Income Credit ............................................................. 59
Who can claim the EIC? ............................................................... 60
Does my employer have to tell me about the EIC? ................. 60
Can I get advance payments of the EIC? ................................. 61
How do I file for the AEIC? ....................................................... 61
What if my status changes after I file for the AEIC? .......... 61
Check on Your Social Security Earnings and Benefits .......... 61
Workers’ Compensation Insurance ............................................... 63
The Family and Medical Leave Act ............................................. 63
Which employers have to grant FMLA leave? ....................... 64
Which employees are entitled to take FMLA leave? ............ 64
When can I take FMLA leave? .................................................... 64
What exactly is a “serious health condition”? ......................... 65
Can I take intermittent leave under the FMLA? .................... 65
Do I have to use up my paid leave first? ................................. 65
When do I have to notify my employer? ................................. 65
Your Right to Continued Health Coverage Under “COBRA” .... 66
How do I know if COBRA applies to me? ................................. 66
What counts as a “qualifying event”? ....................................... 66
How do I take advantage of my COBRA coverage? ............ 67
Do I have to pay premiums under COBRA? ......................... 67
What are my responsibilities under COBRA? ....................... 67
Educational Assistance Benefits ................................................... 67
Adoption Assistance Benefits .................................................... 68
Unemployment Insurance Benefits ............................................. 68
Am I eligible for unemployment benefits? ............................ 68
How long can I collect benefits? .............................................. 69
How is my benefit amount calculated? ................................. 69
Do part-time employees get benefits? ................................. 70

Chapter 7: “America Works Because We’re Working for America”® ................................................................. 71

Index ............................................................................................. 73
Introduction

Whether you’ve been in the workforce for years or are just getting started, it’s a safe bet that your paycheck is the main reason you head out the door every morning. If you’re like many employees, though, you’re probably not sure how your pay is calculated, or what all those numbers on your pay stub really mean. You may also be unsure about some of your rights and responsibilities as an employee.

This booklet will provide you with practical information about your job:
• figuring overtime pay
• saving enough money for retirement
• understanding what’s being taken out of your paycheck
• your rights as an employee
• your responsibilities as a taxpayer.

Filled-in sample forms make it easy for you to handle the paperwork that comes with your job. Example calculations show you how to figure deductions from your paycheck, so you can make sure you’re being paid what you’re owed. This booklet is your ally in the workplace.
When You Get a Job
CHAPTER 1: WHEN YOU GET A JOB

Your job hunt has paid off. Congratulations! Now get ready for all the paperwork. On your first day, you’re going to have to fill out several forms. You have to prove that you can legally work in the United States, and you have to provide information your employer needs to calculate your taxes. Once you get these forms filled out, your employer will keep them in the payroll or human resources department.

• First, you’ll have to give your employer your social security number. Your employer may want to make a copy of your social security card, so remember to take it with you.
• Next, you’ll have to fill out Form I-9, the Employment Eligibility Verification form. The information on this form shows you can work in the United States.
• Then comes Form W-4, the Employee’s Withholding Allowance Certificate. Your employer uses this form to calculate the federal income tax you owe each pay period. These taxes are automatically subtracted from each paycheck.
• If you live in a state with a state income tax, you might have to fill out another form like the W-4. This “state withholding allowance certificate” makes it possible for your employer to figure your state taxes. Depending on where you live, you might also be asked to fill out forms for county, city, or school district income tax withholding.

Getting Started:
Your Social Security Number (SSN)

When you show up at work on your first day, bring your social security card. You’re going to need your social security number (SSN) to fill out several of the forms listed above. Your SSN is a nine-digit number, arranged in the following way: 000-00-0000.

What’s so important about a social security number?

When you get an SSN, an account is set up for you with the Social Security Administration (SSA). Each year, wages are recorded in your account. When you retire, or if you become disabled, your social security benefits will be based on your total earnings. The Internal Revenue Service (IRS) and your employer also use your SSN as your personal ID number when your wages and taxes are reported.

KNOW YOUR RIGHTS—Identity theft has become one of the most often committed crimes in the U.S., and it can mean a lot of trouble if it happens to you. It can mean anything from unauthorized charges for phone calls and new credit cards opened in
When You Get a Job: Your Paycheck

your name to a poor credit report that keeps you from being able to borrow money to buy a new home or car. One of the best ways to protect against identity theft is to protect your social security number. You can do that by not carrying your social security card around with you after you’ve shown it to your employer to make sure your wages and taxes are reported correctly. Your employer should also make sure that your SSN is not given to anyone who doesn’t need to know it and that records with your SSN on them are properly destroyed when they are no longer needed.

So how do I get an SSN?

To get an SSN, fill out Form SS-5, the Application for a Social Security Card. Your employer probably has a supply of these forms. If not, call 1-800-SSA-1213, download the form at www.socialsecurity.gov or www.irs.gov, or visit a local SSA office to pick up a form. When you finish filling it out, submit it to the SSA. If you need any help with it, call the 800 number above.

If my name changed recently, do I need a new social security card?

Yes. If your name ever changes because of marriage, divorce, or some kind of legal action, you’ve got to get a new social security card and show it to your employer. First, fill out Form SS-5 to file your name change with the SSA. When you get your new card in the mail, take it in to your employer and have your name changed on the payroll records. If your employer changes your name before you receive your new card, someone may make a mistake in reporting wages to your social security account. The possible result: you might receive less money than you should when you retire or become disabled. Destroy your old card.

Now there’s another good reason for getting a new social security card when you change your name. If you’re married and file a joint tax return with your spouse, the IRS will reject the joint return if the names and social security numbers on the return don’t match the SSA’s records.

Proving Your Right to Work: U.S. Citizenship and Immigration Services Form I-9, Employment Eligibility Verification

When you go to work, you have to prove your identity and your right to work in the United States. Federal law requires employers to do everything they can to make sure they don’t accidentally hire illegal aliens. Your employer will check your documentation to make sure it’s genuine and to be certain that you’re legally allowed to work here. No matter what your nationality is, your employer will want to look over your documents within your first three days of work.
When You Get a Job

Your Paycheck

Department of Homeland Security
U.S. Citizenship and Immigration Services

OMB No. 1615-0047; Expires 06/30/2009
Form I-9, Employment Eligibility Verification

Read instructions carefully before completing this form. The instructions must be available during completion of this form.

ANTI-DISCRIMINATION NOTICE: It is illegal to discriminate against work-authorized individuals. Employers CANNOT specify which document(s) they will accept from an employee. The refusal to hire an individual because the documents have a future expiration date may also constitute illegal discrimination.

Section 1. Employee Information and Verification (To be completed and signed by employee at the time employment begins.)

<table>
<thead>
<tr>
<th>Print Name:</th>
<th>Last</th>
<th>First</th>
<th>Middle Initial</th>
<th>Maiden Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johnson</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Address (Street Name and Number)</th>
<th>Apt. #</th>
<th>Date of Birth (month/day/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4567 Elm Street</td>
<td></td>
<td>06/30/1965</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>Social Security #</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VA</td>
<td>98765</td>
<td>123-45-6789</td>
</tr>
</tbody>
</table>

I am aware that federal law provides for imprisonment and/or fines for false statements or use of false documents in connection with the completion of this form.

Employee's Signature
Thomas R. Johnson
Date (month/day/year) 03/24/2009

Preparer and/or Translator Certification (To be completed and signed if Section 1 is prepared by a person other than the employee.)

Preparer/Translator's Signature
Date (month/day/year)

Section 2. Employer Review and Verification (To be completed and signed by employer. Examine one document from List A OR examine one document from List B and one from List C, as listed on the reverse of this form, and record the title, number, and expiration date, if any, of the document(s).)

<table>
<thead>
<tr>
<th>List A</th>
<th>OR</th>
<th>List B</th>
<th>AND</th>
<th>List C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Document title:</td>
<td>Driver License</td>
<td>Comm. of Virginia</td>
<td>Social Security Card</td>
<td></td>
</tr>
<tr>
<td>Issuing authority:</td>
<td>987-987654</td>
<td>Soc. Sec. Admin.</td>
<td>123-45-6789</td>
<td></td>
</tr>
<tr>
<td>Expiration Date (if any):</td>
<td>06/30/2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CERTIFICATION: I attest, under penalty of perjury, that I have examined the document(s) presented by the above-named employee, that the above-listed document(s) appear to be genuine and to relate to the employee named, that the employee began employment on (month/day/year) 03/24/2009 and that to the best of my knowledge the employee is authorized to work in the United States. (State employment agencies may omit the date the employee began employment.)

Signature of Employer or Authorizing Representative
Michael Abornathy
Date (month/day/year) 03/24/2009

Section 3. Updating and Reverification (To be completed and signed by employer.)

A. New Name (if applicable)

B. Date of Hire (month/day/year) (if applicable)

C. If employee's previous grant of work authorization has expired, provide the information below for the document that establishes current employment authorization.

<table>
<thead>
<tr>
<th>Document Title:</th>
<th>Document #:</th>
<th>Expiration Date (if any):</th>
</tr>
</thead>
</table>

I attest, under penalty of perjury, that to the best of my knowledge, this employee is authorized to work in the United States, and if the employee presented document(s), the document(s) I have examined appear to be genuine and to relate to the individual.

Signature of Employer or Authorizing Representative

Form I-9 (Rev. 03/02/2009) N Page 4
### Lists of Acceptable Documents

#### List A
Documents that Establish Both Identity and Employment Authorization

<table>
<thead>
<tr>
<th>OR</th>
<th>AND</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. U.S. Passport or U.S. Passport Card</td>
<td>1. Driver’s license or ID card issued by a State or outlying possession of the United States provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</td>
</tr>
<tr>
<td>2. Permanent Resident Card or Alien Registration Receipt Card (Form I-551)</td>
<td>2. ID card issued by federal, state or local government agencies or entities, provided it contains a photograph or information such as name, date of birth, gender, height, eye color, and address</td>
</tr>
<tr>
<td>3. Foreign passport that contains a temporary I-551 stamp or temporary I-551 printed notation on a machine-readable immigrant visa</td>
<td>3. School ID card with a photograph</td>
</tr>
<tr>
<td>4. Employment Authorization Document that contains a photograph (Form I-766)</td>
<td>4. Voter’s registration card</td>
</tr>
<tr>
<td>5. In the case of a nonimmigrant alien authorized to work for a specific employer incident to status, a foreign passport with Form I-94 or Form I-94A bearing the same name as the passport and containing an endorsement of the alien’s nonimmigrant status, as long as the period of endorsement has not yet expired and the proposed employment is not in conflict with any restrictions or limitations identified on the form</td>
<td>5. U.S. Military card or draft record</td>
</tr>
<tr>
<td>6. Passport from the Federated States of Micronesia (FSM) or the Republic of the Marshall Islands (RMI) with Form I-94 or Form I-94A indicating nonimmigrant admission under the Compact of Free Association Between the United States and the FSM or RMI</td>
<td>6. Military dependent’s ID card</td>
</tr>
<tr>
<td>7. Native American tribal document</td>
<td>7. U.S. Coast Guard Merchant Mariner Card</td>
</tr>
<tr>
<td>8. Native American tribal document</td>
<td>8. Driver’s license issued by a Canadian government authority</td>
</tr>
<tr>
<td>9. Driver’s license issued by a Canadian government authority</td>
<td>9. For persons under age 18 who are unable to present a document listed above:</td>
</tr>
<tr>
<td>10. School record or report card</td>
<td>10. Identification Card for Use of Resident Citizen in the United States (Form I-179)</td>
</tr>
<tr>
<td>12. Day-care or nursery school record</td>
<td></td>
</tr>
</tbody>
</table>

#### List B
Documents that Establish Identity

<table>
<thead>
<tr>
<th></th>
<th>OR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Social Security Account Number card other than one that specifies on the face that the issuance of the card does not authorize employment in the United States</td>
<td></td>
</tr>
<tr>
<td>2. Certification of Birth Abroad issued by the Department of State (Form FS-545)</td>
<td></td>
</tr>
<tr>
<td>3. Certification of Report of Birth issued by the Department of State (Form DS-1550)</td>
<td></td>
</tr>
</tbody>
</table>

#### List C
Documents that Establish Employment Authorization

<table>
<thead>
<tr>
<th></th>
<th>OR</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Original or certified copy of birth certificate issued by a State, county, municipal authority, or territory of the United States bearing an official seal</td>
<td></td>
</tr>
</tbody>
</table>

**Illustrations of many of these documents appear in Part 8 of the Handbook for Employers (M-274)**
How can I prove my identity and right to work in the U.S.?

It’s easy! On your first day of work, you need to fill out the employee portion of Form I-9, Section 1. Your employer has to fill out the rest of the form. This is where you’re going to need your documentation. Lists A, B, and C on Form I-9 outline which documents you’ll have to have on hand to prove that you’re legally allowed to work in this country. Show your employer either one document from List A, or one document from List B and one document from List C. Many employees use their social security card together with their driver’s license to prove their right to work.

KNOW YOUR RIGHTS—Your employer can legally photocopy and file the documents you use to prove your identity and right to work. Your employer cannot tell you which specific documents to bring in. You get to choose which document or combination of documents from the lists on Form I-9 you want to use, and your employer has to accept these as proof.

Paying Your Fair Share, Part I: Form W-4, Employee’s Withholding Allowance Certificate

This is another form you’re going to have to fill out, either on or before the first day of work. The information you give your employer on Form W-4 will be used to figure out how much money will be withheld in federal income tax from each of your paychecks. Submit this form to your employer right away. If you put it off, your employer will have to withhold the maximum amount of tax from your paycheck! In addition, if your living situation changes in some way after you fill out this form, you may need to file a new W-4.

What’s the purpose of this form?

The W-4 form tells your employer how much federal income tax to take out of each paycheck. The amount withheld is based on your marital status (married or single), and on the number of ‘withholding allowances’ you claim (see below). If you want an extra, specific dollar amount taken out of your paycheck, you can write that in on this form. Form W-4 is also used to claim a total exemption from federal income tax withholding. More on that later.

What are withholding allowances?

The more withholding allowances you can claim, the less you will have withheld in federal income tax each pay period. This is why submitting your W-4 is so important! Until you turn this form in, your employer has to assume that
When You Get a Job

Your Paycheck

you are single and claiming zero withholding allowances. With zero allowances, you’re likely to be paying more tax than is necessary. Although you will get the extra tax back when you file your personal income tax return for the year, there is no good reason to give the federal government an interest-free loan of your hard-earned money in the meantime. The conditions for claiming withholding allowances are listed below.

- You can claim one allowance for yourself, unless someone else (a spouse or parent) will list you as a ‘dependent’ on his or her income tax return.
- You can claim an allowance for your spouse, unless he or she is working and has already claimed an allowance for himself or herself at work.
- You can claim one allowance for each child you list as a dependent on your tax return, unless your spouse has already claimed the child on his or her W-4 form.

What this boils down to is that each individual in the family can be claimed only one time by one person to gain a withholding allowance. Here are some other allowances you might claim:

- You can claim an allowance if you’re single and have only one job.
- You can claim an allowance if you’re married, have only one job, and your spouse doesn’t work, or wages from a second job or spouse’s job are $1,500 or less.
- If you’re filing as ‘head of household,’ you can claim an allowance. To be a ‘head of household,’ you have to be single and must be paying more than half the cost of maintaining a home for yourself and your dependent(s).
- You can claim an allowance if you spend at least $1,800 per year in out-of-pocket child care expenses (not child support payments), as long as you intend to claim a credit for this on your income tax return.
- You can claim allowances for the Child Tax Credit. In 2009, the following conditions apply:
  - If you’re single and your total income is less than $61,000, or if you’re married and your total income is less than $90,000, then you can claim 2 allowances for each eligible child.
  - If you’re single and your total income is between $61,000 and $84,000, or if you’re married and your total income is between $90,000 and $119,000, then you can claim 1 allowance for each eligible child plus 1 additional allowance if you have 6 or more eligible children.
When You Get a Job

- You can use the W-4 worksheet to calculate additional allowances. These allowances are based on deductions for interest on your home mortgage, contributions you made to charities, state and local taxes, some medical expenses, and various other deductions you might have taken. See the W-4 form for details.

To figure out your total allowances, use the worksheet on Form W-4. The information above is repeated there. Don’t ask your employer how many allowances you should claim. If you need help, get a copy of IRS Publication 919, *How Do I Adjust My Tax Withholding?* from your employer, call the IRS at 1-800-TAX-FORM (829-3676) for one, or download one from the IRS website at www.irs.gov. You can also calculate what your income tax withholding and take-home pay will be by going to www.nationalpayrollweek.com/edu_24.cfm and plugging in your W-4 information.

You should provide your employer with only the bottom portion of page 1 of your Form W-4. Cut the form where indicated and keep for your own records the top portion of the form where you determined the number of withholding allowances.

**Attention nonresidents!**

If you’re a nonresident alien — that is, if you’re here from another country and don’t have a green card — you can claim only one withholding allowance. This holds true unless you come from Canada, Mexico, or the Republic of Korea, in which case you can claim as many allowances as apply to you. All nonresident aliens must also write “NRA” or “Nonresident Alien” above the dotted line on Line 6 of the W-4 because of some special withholding rules for nonresident aliens.

**So how does all this work in real life?**

**Here’s an example.** Employee Tom Johnson is married, his wife works outside the home, and they have 2 children under age 17 living with them. His wife claims an allowance for herself on her W-4. They’ll spend $8,000 out-of-pocket on child care this year. They don’t itemize their deductions, and their combined earnings for the year total $75,000. Tom claims one allowance for himself, one for each child, one for child care expenses, and four for the Child Tax Credit. The W-4 form Tom submitted to his employer is shown on page 9.

**Can you claim to be exempt from federal income tax withholding?**

Is it possible for you to have no federal income tax withholding at all? It’s possible that you qualify, but not very likely. You can claim to be exempt from federal withholding only if both of the following conditions apply:
Form W-4 (2009)

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 when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2009 expires February 16, 2010. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds $950 and includes more than $300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/multiple job situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances claimed and not on a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependents or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES. Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Form W-4 each year and when your personal or financial situation changes. Your withholding will likely be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

When You Get a Job

Your Paycheck

Form W-4 (2009)

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 when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2009 expires February 16, 2010. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds $950 and includes more than $300 of unearned income (for example, interest and dividends) and (b) another person can claim you as a dependent on their tax return.

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earner/multiple job situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances claimed and not on a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependents or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES. Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Form W-4 each year and when your personal or financial situation changes. Your withholding will likely be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.
When You Get a Job

- you ended up owing no federal taxes last year, and all the federal tax withheld from you during the year was given back after you filed your return, and
- you don’t expect to owe any federal taxes for the current year.

**WARNING!**—Just because you received a refund of some of your withheld federal income tax when you filed your personal income tax return for the previous year, that does not mean you had no federal income tax liability for that year. You had no federal income tax liability for a year only if *all* the federal income tax withheld from your pay was refunded to you.

**WARNING!**—You’re not quite there yet. Even if the two conditions above are true, you still may not be exempt from withholding. If your income for the year is more than $950 and includes over $300 of unearned income (like interest and dividends), and someone else is claiming you as a dependent, you are not exempt from federal income tax withholding.

*Students are not automatically exempt! High school and college students have to meet the conditions above to claim an exemption.*

You have to renew your claim to an exemption each year by February 15. If you don’t, your employer will start withholding federal tax from your paychecks as if you were single and had zero withholding allowances. Submit a new W-4 form to your employer to renew your claim.

Almost no one is exempt from social security or Medicare tax. A claim of exempt status won’t affect your social security or Medicare tax withholding.

**When do I have to submit a new W-4 form?**

If either of the two situations below applies to you, you have to fill out a new W-4 form.

- Your living arrangement or financial situation changes, leaving you with fewer withholding allowances. For instance, if you get a divorce, or a previously nonworking spouse takes a job, or a dependent moves out of the house, you’re required to submit a new W-4 form within 10 days that shows the reduced number of allowances.
- You realize that you’re no longer exempt, because you’re going to have to pay income tax in the current year. You have 10 days to fill out a new W-4 form where you do not claim exempt and turn it in to your employer.
You can file a new W-4 form if one of the following two examples applies to you, but you don’t have to. (You really should go to the trouble, though. You’ll have more take-home pay if you do!)

- Your living arrangement or financial situation changes, leaving you with more withholding allowances. For example, if you or your spouse gives birth to a child, or if a working spouse quits his or her job, you can submit a new W-4 form claiming an extra allowance. You can turn in this new form at any time.

- You realize that you’re now exempt from federal income tax withholding. You can turn in a new W-4 reflecting this change at any time.

If your name changes, you should submit a new W-4 form to your employer, but only after you have received your new social security card.

You’re not allowed to make any changes to your W-4 in advance. Suppose, for instance, that you’re going to be married soon. You have to wait until after the wedding to submit a new form with your updated marital status.

Your employer also has responsibilities with regard to the W-4. By December 1 of each year, your employer should remind you to turn in a new form for the next year if your marital status or number of allowances has changed. Your employer is also required to start using any new W-4 you turn in within a month of getting it from you.

**What if my employer rejects my W-4?**

It’s your responsibility to see to it that the information on your W-4 is correct. Your employer won’t check it over for you. If your form has obvious problems, though, your employer won’t accept it. Any one of the following faults will cause your W-4 to be rejected.

- You’ve changed the text of the form, either by crossing out parts of it or adding statements to it.
- You’ve used the form to request that a flat dollar amount of tax or a certain percentage of your wages be withheld. This isn’t legal! Federal income tax is calculated on the basis of your withholding allowances and marital status.
- You’ve told your employer that some of the information on the form is false.

If you submit an unacceptable W-4, you ought to fill out a new one. If you don’t, and you’re a new employee, your employer will have to assume that you are single and have zero withholding allowances. If you’re not a new employee, your employer will keep using your most recent W-4 form on file. Either way, you could easily end up paying more in taxes than you have to!
When You Get a Job

WARNING!—Don’t make false claims on your W-4 form in the hope of reducing your federal taxes. That’s a felony offense. If you’re found guilty of it, the punishment can be severe.

Your employer might ask that you submit your W-4 form by telephone or computer. If you want to use the paper form instead, your employer has to tell you how to get one, and where you should submit it.

Paying Your Fair Share, Part II: State Employee Withholding Allowance Certificates

Forty-one states have state income taxes. These taxes, like federal income tax, are withheld directly from employees’ paychecks. If you live in one of these states, you might have to fill out yet another form: a state withholding allowance certificate. If you’re lucky, your state will let your employer use the federal W-4 form to calculate state income tax withholding. If you’re not so fortunate, your employer will supply you with the state form to fill out. Some counties, cities, and school districts also withhold income tax. Residents of these areas may have to fill out separate forms for these local taxes, too.

The states that don’t have an income tax are Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming.

“I’m afraid Biffle has taken his new title of Chief Financial Officer too far.”
Paycheck Basics
CHAPTER 2: PAYCHECK BASICS

Getting Paid

How often will I be paid?

This depends on the state you live in and the company you work for. You can be paid once a month, twice a month, every two weeks, or every week. Employers can pay you more often than the state law requires — for instance, if the state says you have to be paid at least once every two weeks, your employer can pay you once a week instead. Your employer can’t pay you less often than state law requires, though. You have to be paid on your employer’s set payday, and within a certain number of days after each pay period ends.

How will I be paid?

You’ll probably be paid by check or direct deposit (see below). In most states, your employer must make arrangements with a bank where you can cash your paychecks for face value. If you’re in a piecework industry, you can be given company “scrip” or tokens. On payday, you must be able to trade these in for your pay. Some companies also use electronic “paycards” to pay some employees, especially those without bank accounts. Paycards are “stored value” debit cards that can be used like cash.

What is direct deposit? How can it benefit me?

If you use direct deposit, your wages will be paid directly into your checking or savings account. You won’t receive a paycheck on payday. You won’t need one — your money’s already in your account! You’ll get a statement similar to a pay stub. On this statement will appear the pay period dates, the date of payment, your hours worked, your before-tax and after-tax wages, the taxes subtracted from your check, and any other deductions. All states now allow companies to provide these statements through their computer network rather than on paper, so long as the employee can print them out.
Many employees prefer direct deposit to receiving a paycheck. You might also find it safer and more convenient, because:

- You won’t have to wait around for your check on payday! The money will already be in your account.
- If you miss work on a payday, your money’s in the bank automatically.
- You won’t have to worry about losing a paycheck or having it stolen before you can get to the bank.
- Your money will start earning interest as soon as it’s deposited into your account.
- You can have portions of your pay sent to several separate accounts, which can save you time.

You’ve got to give your employer permission to use direct deposit. When you use direct deposit, your wages are transferred electronically into your account. Your employer can’t arrange to do this until you give your permission. Some states require that you give this permission in writing; in other states, you can just tell your employer what you want. Typically, you’ll be asked to provide a checking account deposit slip or voided check, because it contains the following necessary information:

- the name of your financial institution (bank, credit union, etc.) and its transit routing number;
- whether you want the deposits made to a checking or savings account; and
- your account number.

In some states, employers can require that you use direct deposit. In the following 19 states, employers can require that their employees use direct deposit: Alabama, Arkansas, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Washington, and Wisconsin. In Alaska, Florida, Hawaii, Iowa, Michigan, Minnesota, New Mexico, and Utah, certain groups of employees can be required to use direct deposit.

Even if you live in one of these states, and have to use direct deposit, you get to choose which financial institution will receive your deposits. Your employer can’t require you to deposit your wages in a specific institution.

What if I quit my job or am laid off?

On your last day of work or by the next payday, you should receive all the wages you’ve earned. This holds true whether you quit your job, were laid off, or were fired. State law determines exactly how quickly you’ll get your last check. This law also specifies what, if any, extra payments (like vacation pay) have to be included in your final paycheck.
How Do You Know Your Check Is Correct? The Wage-Hour Laws

If you’re a “nonexempt” employee (see below), you’re covered by the federal Wage-Hour Law, or Fair Labor Standards Act (FLSA). This law requires an employer to pay you at least minimum wage, along with a certain overtime rate. If you’re not covered by this federal law, you may be protected by a state law. Many states have passed their own laws with minimum wage and overtime pay requirements. If you ever find yourself covered by both a federal and state law, your employer has to obey the law that’s more favorable to you, the employee. For example, suppose your state has its own minimum wage. If this wage is higher than the federal minimum wage, your employer has to pay you the state wage.

Read over the following pages. They should answer some of your questions and help you better understand your paycheck.

What does it mean to be an “exempt” or “nonexempt” employee?

These terms have to do with your status under the FLSA. Generally, employees are classified as “exempt” or “nonexempt” based on the kind of work they do and the salary they are paid. If you’re an exempt employee, you’ll probably be paid a set salary. Usually this salary will be pretty high, much higher than what you’d be earning at minimum wage, and you won’t be covered by the FLSA. Nonexempt employees are protected by the FLSA. If you’re nonexempt, you have to be paid at least the minimum wage for all the hours you work, and extra overtime pay if you work more than 40 hours in a single workweek. Even as a nonexempt employee, you might be paid a set salary. If you are, try dividing your weekly salary by the hours you work in a regular week. Compare this hourly rate to the minimum wage and overtime requirements to find out if your employer is paying you what you’re owed under the FLSA.

If you’re not sure how you’re classified, ask your employer if you’re an exempt or nonexempt employee.

Exempt employees
The most common exempt employees are:

- “white collar employees” (executives, administrators, professionals, computer professionals, and outside sales employees);
- certain retail and service industry sales employees who work on commission; and
- certain government employees (elected officials and their appointees, state and local legislative employees).
Many other kinds of employees are also exempt from the FLSA. It’s your employer’s task to determine whether or not you’re exempt, based on your salary and job duties. The more responsibility and independent authority you’ve got, the more likely you are to be exempt. **Your status depends on your actual duties, not on your job title.**

If you’re an exempt employee and your pay is “docked” for missed time at work — that is, if wages are subtracted from your paycheck — you might become nonexempt. As an exempt employee, you should be paid on a salary basis. This means you have to be paid your full salary if you do any work at all in a specific workweek. There are a couple of exceptions to this rule, though. Suppose you’ve already used up all your vacation and sick time, and then one morning you fall down and twist your ankle. You can’t drive, so you miss a few more days at work. Since you haven’t got any leave left, your wages can be reduced for the extra days you missed. Also, if you take time off under the Family and Medical Leave Act, your pay can legally be docked.

Special rules apply to state and local government employees. Since they are “public servants,” they’re often held to stricter schedules than employees of private companies. In some areas, the law requires that their wages be docked for any absences from work, even absences that last less than a full day. Sometimes a state or local government will close some of its offices or reduce its staff temporarily to save money. When this happens, the government can dock the paychecks of exempt employees who aren’t working. These employees are still exempt, except during the period of time they’ve been told not to show up at their jobs.

**Know Your Rights** — If you’re an exempt employee, your employer shouldn’t dock your pay for less than a day’s absence from work, except for FMLA leave. If your employer does this, you’re not being treated as an exempt employee. You might become nonexempt as a result, which means you’d have to be paid for any overtime that you work. If you’re out for less than a day and you have some paid leave time available, your employer can require you to use the paid leave time without converting your status to nonexempt.

From time to time, you might have to leave work temporarily because of jury duty, service as a witness in a court of law, or military obligations. Your wages can’t be reduced as a result of any such service that lasts less than a week, if you do some work during that week. If you’re paid for this service, though, your employer can subtract the amount you were paid from your regular paycheck.
Nonexempt employees

The minimum wage law: at the beginning of 2009, the federal minimum wage is $6.55 per hour. If you’re nonexempt, you have to be paid at least this much per hour, for every hour you work. This holds true unless you’re a new employee under the age of 20. In that case, you only have to be paid $4.25 per hour for your first 90 days of work. After that, though, your employer has to pay you the standard minimum wage. As a nonexempt employee, you can be paid on a piecework, salary, hourly, or commission basis as long as you’re getting at least the minimum hourly rate.

On July 24, 2009, the federal minimum wage will increase to $7.25 per hour. If the minimum wage changes during your workweek, you must be paid at least the new minimum wage for all hours worked beginning on the day the change takes effect.

The following example shows you how to calculate your gross pay (that is, your total pay before any taxes are taken out) per week, if you’re receiving the federal minimum wage.

Example: James works 35 hours each week at the Town and Country Bike Shop. Throughout January 2009, he’s paid at the federal minimum wage rate of $6.55 per hour. James’ gross pay for each week is 35 x $6.55, or $229.25.

Your take-home pay may end up being below the minimum wage. This is possible because of the taxes that are subtracted from your paycheck each pay period. “Noncash wages,” such as room and board, can also cause your pay to fall below the minimum wage rate. Your employer is required by law to withhold income, social security, and Medicare taxes from your paycheck. Even though these taxes are subtracted from your wages, they’re still considered part of your income. “Noncash wages” are also thought of as part of your income. If you add all taxes and noncash wages back into your take-home pay, your total pay should equal at least the minimum wage rate multiplied by the number of hours worked.

Know Your Rights—If you show up late for work, your employer can subtract the amount of work time you missed from your wages. Some employers will take out even more than that, as a punishment for being late. These deductions from your paycheck can’t legally cause your pay to fall below the minimum wage for each hour you worked. They also can’t result in your being paid less overtime than you’ve earned.
What is your “regular rate of pay?”

Your regular rate of pay has to be at least the minimum wage. If you’re paid by the hour, your hourly wage is your regular rate of pay. If you’re paid a salary, your regular rate of pay is your salary divided by the number of hours you work during a normal workweek. If you’re paid on the basis of piecework or by commission, your regular rate of pay is your earnings divided by the hours you worked to get them. The following payments are included in your regular rate of pay.

- Nondiscretionary bonuses — These are bonuses that you and your employer have agreed upon in advance. They’re awarded based on how well you do your job.
- Shift premiums — If you work a difficult shift, like a late night shift, a set amount may be added to your hourly rate. This is known as a shift premium or shift differential.
- Noncash payments — Sometimes an employer will provide employees with noncash wages like room and board. These “wages” are included in your regular rate of pay by estimating their cost in cash.
- Back pay awards — If you earned wages earlier that you weren’t paid for some reason, you may receive a “back pay award.” This requires your employer to pay you the back wages you’re owed.
- On-call pay — If your employer requires you to wait in a specific place to receive a call or severely limits your personal use of time spent while waiting for a call, you should be paid for this “on-call” time.
- Cost-of-living adjustments — Sometimes an employer will raise employees’ pay to keep up with inflation. This kind of hike in wages is called a cost-of-living adjustment.

What is a workweek?

Your employer calculates your wages separately for each workweek. A workweek is a fixed 7-day period set by your employer. Your employer can start the workweek on any day of the week, and at any hour of the day. Different workweeks can be established for different groups of employees all working for the same employer.

Example: The workweek at the All-Night Coffee Shop runs from 5:00 a.m. Tuesday morning to 5:00 a.m. the next Tuesday. The employer set it up this way so that the late night shifts (which end at 5:00 a.m.) and the early morning shifts (which begin at 5:00 a.m.) can be handled more easily. This kind of workweek is legal under the FLSA.

The minimum wage requirement must be met for each workweek. Your employer can’t average out your wages over a period longer than a week.
Example: Suppose Maryanne is paid $223.00 for a single workweek of 35 hours. This is $6.25 less than she should have gotten at the minimum rate (35 x $6.55 = $229.25). She works 35 hours again the next workweek, and is paid $238.00. This is $8.75 above the minimum. If you average her pay for those two weeks, you get $230.50, which is just above the minimum — but this doesn’t get her employer off the hook. She should have received at least the minimum rate for each week she worked. Her employer broke the law her first week by paying her less than minimum wage.

How are tips handled?

Employees like waitresses and bartenders earn tips in addition to their regular wages. To be classified as a “tipped employee,” you have to earn at least $30 per month in tips. Employers have to pay a tipped employee only $2.13 per hour, as long as the employee’s tips average out to at least $4.42 per hour ($2.13 + $4.42 = $6.55, the required minimum wage). This $4.42 is called the employer’s “tip credit.” If an employee’s tips don’t quite bring his or her pay up to minimum wage, the employer has to raise the hourly rate to make sure the employee gets at least the minimum rate. Service charges added to customers’ bills aren’t tips. They’re part of a tipped employee’s regular wages.

On July 24, 2009, when the federal minimum wage increases to $7.25 per hour, the tip credit will increase to $5.12.

KNOW YOUR RIGHTS—If your employer wants to take advantage of the tip credit, and pay you only $2.13 per hour, all the following conditions must be met:

1. You have to average at least $4.42 in tips per hour ($5.12 after July 23, 2009).
2. Your employer has to explain the tip credit to you before taking it.
3. You’ve got to be allowed to keep all the tips you earn. Your employer can require tipped employees to pool their tips, though.
4. Your employer has to give you all your credit card tips by the next payday. The credit card company’s charge for using the card can be subtracted from each tip.
   Example: Suppose one of your customers puts a $10 tip for you on his or her credit card bill. The credit card company charges your employer 5% to use its credit cards. You have to be paid at least 95% of the tip, or $9.50 ($10 x .95 = $9.50).
5. Your employer can’t raise the tip credit for any overtime hours you work. In other words, your regular wage has to go up for overtime hours.
Your Paycheck

Reporting your tips. In most situations, if you get more than $20 per month in tips, you have to report this income to your employer. Federal income, social security, and Medicare taxes will be withheld from your tips. If you earn less than $20 per month in tips, you don’t have to report them to your employer. These tips are still a part of your income, though, and you have to report them when you file your tax return.

How does overtime pay work?

If you’re nonexempt, you’ll receive overtime pay for all hours over 40 that you work in a specific workweek. Your employer must pay you 1.5 times your regular rate of pay for each of your overtime hours. There is one exception to this rule: state and local government employees can be given 1½ hours off for each hour of overtime they worked instead of paid overtime.

The following examples show you how to figure out your overtime pay.

Example 1: Michael earns $13 per hour. Usually he works only 40 hours per week, but last week he worked 48. How much should he be paid for last week’s work?

- Regular earnings: 40 hours x $13 = $520
- Overtime hours: 48 hours - 40 hours = 8 hours
- Overtime pay: $13 x 1.5 x 8 = $156
- Last week’s earnings: $520 + $156 = $676

When overtime has to be paid. The FLSA says you have to receive overtime pay only for hours you actually worked. You won’t get the overtime rate on sick pay, vacation pay, etc., unless that’s your employer’s policy.

Example 2: Joe is paid for 48 hours of work, but 8 of those hours are covered by sick pay. Joe doesn’t receive the overtime rate for any of those hours, because he physically worked only 40 hours.

Example 3: Bonnie is a carpenter. She shows up at her work site one morning during a thunderstorm. She waits an hour for the rain to let up, but it just gets worse and her employer sends her home. She is paid for half a day of work. The hour she waited is actual work time, but the rest of those paid hours are not hours that she physically worked. She can’t count that time as work time for the purpose of getting overtime pay.
Your employer doesn’t have to pay you the overtime rate for work on weekends or holidays, unless your work on those days actually pushes you over 40 hours for the workweek. Many companies will pay you the overtime rate for working on these days, though. Also, overtime isn’t based on the number of hours you work in a single day. If you work over 8 hours in one day, you won’t receive overtime pay for the extra hours. You earn overtime pay only by working over 40 hours in a single workweek. Some state laws and union contracts provide an exception to this rule, and require you to be paid overtime when you work more than 8 hours in one day, or on Sundays or holidays.

The workweek and overtime pay. When you calculate your overtime pay, remember that each workweek stands on its own. Suppose you work 35 hours one week and 45 hours the next. Your employer can’t average out these hour totals to deny you overtime pay. You must receive 5 hours of overtime pay for the extra time you worked during week two. Firefighters, police officers, and hospital employees are sometimes covered by different rules. These rules change the way their employers define their workweek and figure their overtime.

Due to inherent problems, the bank suggested someone other than company president Victor Oid sign the payroll checks.
Taxes, or, Where Did All That Money Go?
CHAPTER 3: TAXES, OR, WHERE DID ALL THAT MONEY GO?

Income and Employment Taxes

If you hold a job in the United States or you’re a U.S. citizen working in another country, you’ve got to pay federal income and employment taxes on all your wages. Depending on what state you live and work in, you might also have to pay state income taxes. Some counties, cities, and school districts have income taxes, as well. Your employer collects these taxes from you by withholding part of your paycheck and sending this money directly to federal, state, and local governments. Read through the information below for an explanation of the taxes you pay, and for methods you can use to make sure your employer is withholding the right amount of your wages.

What do all those numbers on my pay stub mean?

Take a look at your most recent paycheck. You’ll notice that it’s attached to a pay stub. This pay stub records the wages you received and the taxes you paid during the last pay period. It tells you what your “gross pay” is and what your “net pay” is. It also shows you exactly how much money was subtracted from your paycheck to pay for federal income tax, state and local income taxes, and the “FICA” taxes (social security and Medicare). Your pay stub might include information about pre-tax deductions and after-tax deductions, as well.

Gross pay — Your gross pay is the total amount of wages you’ve earned for the pay period. It’s your regular rate of pay plus any other wages you receive, like overtime pay or bonuses. Your gross pay determines how much you’ll owe in taxes.

Net pay — Your net pay is the amount of money you actually receive on payday, your “take-home pay.” It’s your gross pay minus all deductions and all federal, state, and local taxes.

What are income taxes?

Federal income tax is the amount of money you have to pay to the federal government. It’s collected by the IRS. In 41 states, you’ve got to pay state income tax to your state government. If your county, city, or school district also has an income tax, then you pay this tax to your local government.

How do I calculate income taxes?

You don’t have to calculate the income taxes that are withheld from your paycheck. That’s your employer’s job. It’s probably a good idea for you to check your employer’s math, though, to make sure the right amount is being withheld.
There are several different methods your employer can use to figure out your federal income tax. Your employer gets to choose which one to use. The two most popular are the wage-bracket method and the percentage method. Using either one, your employer bases your federal income tax withholding on tables issued by the IRS. These tables take into account your marital status (married or single), how often you’re paid (weekly, monthly, etc.), your gross pay, and the number of withholding allowances you claim on your W-4 form. State and local governments that levy income taxes have their own tax withholding tables for your employer to use.

**WARNING!—**There was a mid-year change in the withholding tax tables that took effect on April 1, 2009. The examples in this section are based on the revised tables that are in effect for the remainder of the year. New tables were needed because of a tax credit provided to employees that is being carried out by reducing income tax withholding.

**Example #1: How to use the wage-bracket tables.**

Jane is married and earns a weekly salary of $705 in 2009. She claims 2 withholding allowances on her W-4 form. Look at the “Married Persons-Weekly Payroll Period” wage-bracket table (see page 26). Go down the wages column until you come to “$700-$710,” and then go across to 2 allowances. Jane’s federal income tax withholding is $31 per week.

**Example #2: How to use the percentage method.**

Brian is married and earns $1,900 every two weeks (biweekly). He claims 4 withholding allowances on his W-4 form.

Step 1: Look at the Allowance Table (see page 28). Go down the left-hand column until you get to 4 withholding allowances.

Step 2: Move across to the “biweekly” payroll period. Write down the value of Brian’s withholding allowances ($561.52).

Step 3: Subtract the value of the withholding allowances from Brian’s earnings: $1,900 - $561.52 = $1,338.48. This is the amount subject to withholding.

Step 4: Find the correct “percentage method withholding table” for Brian (see page 27). Remember, he’s married and is paid biweekly.

Step 5: Use the formula in the table to figure out Brian’s withholding.

- $1,338.48 is between $940 and $2,910, so 15% of the excess over $940 plus $33.40 has to be withheld.
- Figure out what the excess over $940 is: $1,338.48 - $940 = $398.48. Exactly 15% of this figure plus $33.40 must be withheld from Brian’s wages.
- Multiply $398.48 by 15% and add $33.40 to get Brian’s withholding: ($398.48 x .15) + $33.40 = $93.17.

The federal income tax withheld each pay period from Brian’s paycheck is $93.17.
### Wage Bracket Table for Income Tax Withholding (Circular E)

**MARRIED Persons -- WEEKLY Payroll Period**

(For Wages Paid Through December 2009)

<table>
<thead>
<tr>
<th>Wages</th>
<th>Number of Withholding Allowances</th>
<th>At least 0 But 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>540 550</td>
<td></td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>550 560</td>
<td></td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>560 570</td>
<td></td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>570 580</td>
<td></td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>580 590</td>
<td></td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>590 600</td>
<td></td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>600 610</td>
<td></td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>610 620</td>
<td></td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>620 630</td>
<td></td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>630 640</td>
<td></td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>640 650</td>
<td></td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>650 660</td>
<td></td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>660 670</td>
<td></td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>670 680</td>
<td></td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>680 690</td>
<td></td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>690 700</td>
<td></td>
<td>50</td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>700 710</td>
<td></td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>710 720</td>
<td></td>
<td>53</td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>720 730</td>
<td></td>
<td>55</td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>730 740</td>
<td></td>
<td>56</td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>740 750</td>
<td></td>
<td>58</td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>750 760</td>
<td></td>
<td>59</td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>760 770</td>
<td></td>
<td>61</td>
<td>50</td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>770 780</td>
<td></td>
<td>62</td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>780 790</td>
<td></td>
<td>64</td>
<td>53</td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>790 800</td>
<td></td>
<td>65</td>
<td>55</td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>800 810</td>
<td></td>
<td>67</td>
<td>56</td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>810 820</td>
<td></td>
<td>68</td>
<td>58</td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>820 830</td>
<td></td>
<td>70</td>
<td>59</td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>830 840</td>
<td></td>
<td>71</td>
<td>61</td>
<td>50</td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>840 850</td>
<td></td>
<td>73</td>
<td>62</td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>850 860</td>
<td></td>
<td>74</td>
<td>64</td>
<td>53</td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>860 870</td>
<td></td>
<td>76</td>
<td>65</td>
<td>55</td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>870 880</td>
<td></td>
<td>77</td>
<td>67</td>
<td>56</td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>880 890</td>
<td></td>
<td>79</td>
<td>68</td>
<td>58</td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>890 900</td>
<td></td>
<td>80</td>
<td>70</td>
<td>59</td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>900 910</td>
<td></td>
<td>82</td>
<td>71</td>
<td>61</td>
<td>50</td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>910 920</td>
<td></td>
<td>83</td>
<td>73</td>
<td>62</td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>920 930</td>
<td></td>
<td>85</td>
<td>74</td>
<td>64</td>
<td>53</td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>930 940</td>
<td></td>
<td>86</td>
<td>76</td>
<td>65</td>
<td>55</td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>940 950</td>
<td></td>
<td>88</td>
<td>77</td>
<td>67</td>
<td>56</td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>950 960</td>
<td></td>
<td>89</td>
<td>79</td>
<td>68</td>
<td>58</td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>960 970</td>
<td></td>
<td>91</td>
<td>80</td>
<td>70</td>
<td>59</td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>970 980</td>
<td></td>
<td>92</td>
<td>82</td>
<td>71</td>
<td>61</td>
<td>50</td>
<td>40</td>
<td>29</td>
<td>19</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>980 990</td>
<td></td>
<td>94</td>
<td>83</td>
<td>73</td>
<td>62</td>
<td>52</td>
<td>41</td>
<td>31</td>
<td>20</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>990 1000</td>
<td></td>
<td>95</td>
<td>85</td>
<td>74</td>
<td>64</td>
<td>53</td>
<td>43</td>
<td>32</td>
<td>22</td>
<td>13</td>
<td>6</td>
</tr>
<tr>
<td>1000 1010</td>
<td></td>
<td>97</td>
<td>86</td>
<td>76</td>
<td>65</td>
<td>55</td>
<td>44</td>
<td>34</td>
<td>23</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td>1010 1020</td>
<td></td>
<td>98</td>
<td>88</td>
<td>77</td>
<td>67</td>
<td>56</td>
<td>46</td>
<td>35</td>
<td>25</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>1020 1030</td>
<td></td>
<td>100</td>
<td>89</td>
<td>79</td>
<td>68</td>
<td>58</td>
<td>47</td>
<td>37</td>
<td>26</td>
<td>16</td>
<td>9</td>
</tr>
<tr>
<td>1030 1040</td>
<td></td>
<td>101</td>
<td>91</td>
<td>80</td>
<td>70</td>
<td>59</td>
<td>49</td>
<td>38</td>
<td>28</td>
<td>17</td>
<td>10</td>
</tr>
</tbody>
</table>
# Your Paycheck

## Tables for Percentage Method of Withholding

(For Wages Paid Through December 2009)

### TABLE 1—WEEKLY Payroll Period

<table>
<thead>
<tr>
<th>(a) SINGLE person (including head of household)— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>(b) MARRIED person— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>The amount of income tax to withhold is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $138</td>
<td>Not over $303</td>
<td>$0</td>
</tr>
<tr>
<td>$138 But not over $200</td>
<td>$303 But not over $470</td>
<td>$0</td>
</tr>
<tr>
<td>$200 $696</td>
<td>$470 $303</td>
<td>$10</td>
</tr>
<tr>
<td>$696 $1,279</td>
<td>$303 $1,455</td>
<td>$6.20 plus 15%</td>
</tr>
<tr>
<td>$1,279 $3,338</td>
<td>$1,455 $2,727</td>
<td>$80.60 plus 25%</td>
</tr>
<tr>
<td>$3,338 $7,212</td>
<td>$2,727 $4,165</td>
<td>$226.35 plus 28%</td>
</tr>
<tr>
<td>$7,212</td>
<td>$4,165</td>
<td>$802.87 plus 33%</td>
</tr>
</tbody>
</table>

### TABLE 2—BIWEEKLY Payroll Period

<table>
<thead>
<tr>
<th>(a) SINGLE person (including head of household)— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>(b) MARRIED person— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>The amount of income tax to withhold is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $276</td>
<td>Not over $606</td>
<td>$0</td>
</tr>
<tr>
<td>$276 But not over $400</td>
<td>$606 But not over $940</td>
<td>$0</td>
</tr>
<tr>
<td>$400 $1,392</td>
<td>$940 $606</td>
<td>$10</td>
</tr>
<tr>
<td>$1,392 $4,333</td>
<td>$606 $940</td>
<td>$12.40 plus 15%</td>
</tr>
<tr>
<td>$4,333 $10,049</td>
<td>$940 $2,910</td>
<td>$161.20 plus 25%</td>
</tr>
<tr>
<td>$10,049 $21,161</td>
<td>$2,910</td>
<td>$33.40 plus 15%</td>
</tr>
<tr>
<td>$21,161</td>
<td></td>
<td>$1,392</td>
</tr>
</tbody>
</table>

### TABLE 3—SEMIMONTHLY Payroll Period

<table>
<thead>
<tr>
<th>(a) SINGLE person (including head of household)— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>(b) MARRIED person— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>The amount of income tax to withhold is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $299</td>
<td>Not over $656</td>
<td>$0</td>
</tr>
<tr>
<td>$299 But not over $433</td>
<td>$656 But not over $940</td>
<td>$0</td>
</tr>
<tr>
<td>$433 $1,508</td>
<td>$940</td>
<td>$10</td>
</tr>
<tr>
<td>$1,508 $3,017</td>
<td></td>
<td>$13.40 plus 15%</td>
</tr>
<tr>
<td>$3,017 $5,625</td>
<td></td>
<td>$26.90 plus 15%</td>
</tr>
<tr>
<td>$5,625</td>
<td></td>
<td>$1,508</td>
</tr>
</tbody>
</table>

### TABLE 4—MONTHLY Payroll Period

<table>
<thead>
<tr>
<th>(a) SINGLE person (including head of household)— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>(b) MARRIED person— If the amount of wages (after subtracting withholding allowances) is:</th>
<th>The amount of income tax to withhold is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $598</td>
<td>Not over $1,313</td>
<td>$0</td>
</tr>
<tr>
<td>$598 But not over $867</td>
<td>$1,313 But not over $2,038</td>
<td>$0</td>
</tr>
<tr>
<td>$867 $14,467</td>
<td>$2,038</td>
<td>$10</td>
</tr>
<tr>
<td>$14,467</td>
<td></td>
<td>$1,508</td>
</tr>
<tr>
<td>$14,467</td>
<td></td>
<td>$3,017</td>
</tr>
</tbody>
</table>

---

www.irs.gov Catalog No. 21974B
Your Paycheck

Other withholding methods — For special situations, there are other withholding methods your employer can use. For example, “supplemental wages” get special tax treatment. These are amounts added on to your regular wages, and include bonuses, awards, commissions, retroactive pay, tips, back pay awards, and severance pay.

If your employer keeps your supplemental wages separate from your regular wages, your employer can withhold federal income tax from these payments at the flat rate of 25% in 2009. This is called the optional flat withholding rate method. The 25% rate applies no matter how many withholding allowances you’ve claimed on your W-4 form, and no matter what the IRS tables say. Suppose you got a $1,000 sales bonus during your last pay period. Your employer would multiply this supplemental wage by 25% (.25) to figure out how much to withhold: $1,000 x .25 = $250. You’d pay $250 in federal income tax on your bonus.

Your employer can also use what’s called the aggregate withholding method. Under this method, your employer will add your supplemental wages to your last wage payment, figure the income tax on the whole amount, and then subtract the tax that was withheld from your last wage payment. The remaining amount is what the employer will withhold from your supplemental wages.

Example: Donna is single and claims 2 withholding allowances on her W-4 form. She is paid $700 biweekly. Last week she was awarded a bonus of $200. Her employer keeps this bonus separate from her regular wages. To figure out how much federal income tax to withhold from Donna’s bonus using the aggregate method, her employer goes through the following steps:

**ALLOCATION TABLE FOR WAGES PAID IN 2009**

<table>
<thead>
<tr>
<th>If the number of withholding allowances is:</th>
<th>WEEKLY</th>
<th>BIWEEKLY</th>
<th>SEMI-MONTHLY</th>
<th>MONTHLY</th>
<th>QUARTERLY</th>
<th>SEMI-ANNUALLY</th>
<th>ANNUALLY</th>
<th>DAILY OR MISCELLANEOUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>1</td>
<td>70.19</td>
<td>140.38</td>
<td>152.08</td>
<td>304.17</td>
<td>912.50</td>
<td>1,825.00</td>
<td>3,650.00</td>
<td>14.04</td>
</tr>
<tr>
<td>2</td>
<td>140.38</td>
<td>280.76</td>
<td>304.16</td>
<td>608.34</td>
<td>1,825.00</td>
<td>3,650.00</td>
<td>7,300.00</td>
<td>28.08</td>
</tr>
<tr>
<td>3</td>
<td>210.57</td>
<td>421.14</td>
<td>456.24</td>
<td>912.51</td>
<td>2,737.50</td>
<td>5,475.00</td>
<td>10,950.00</td>
<td>42.12</td>
</tr>
<tr>
<td>4</td>
<td>280.76</td>
<td>561.52</td>
<td>608.32</td>
<td>1,216.68</td>
<td>3,650.00</td>
<td>7,300.00</td>
<td>14,600.00</td>
<td>56.16</td>
</tr>
<tr>
<td>5</td>
<td>350.95</td>
<td>701.90</td>
<td>760.40</td>
<td>1,520.85</td>
<td>4,562.50</td>
<td>9,125.00</td>
<td>18,250.00</td>
<td>70.20</td>
</tr>
<tr>
<td>6</td>
<td>421.14</td>
<td>842.28</td>
<td>912.48</td>
<td>1,825.02</td>
<td>5,475.00</td>
<td>10,950.00</td>
<td>21,900.00</td>
<td>84.24</td>
</tr>
<tr>
<td>7</td>
<td>491.33</td>
<td>982.66</td>
<td>1,064.56</td>
<td>2,129.19</td>
<td>6,387.50</td>
<td>12,775.00</td>
<td>25,550.00</td>
<td>98.28</td>
</tr>
<tr>
<td>8</td>
<td>561.52</td>
<td>1,123.04</td>
<td>1,216.64</td>
<td>2,433.36</td>
<td>7,300.00</td>
<td>14,600.00</td>
<td>29,200.00</td>
<td>112.32</td>
</tr>
<tr>
<td>9</td>
<td>631.71</td>
<td>1,263.42</td>
<td>1,368.72</td>
<td>2,737.53</td>
<td>8,212.50</td>
<td>16,425.00</td>
<td>32,850.00</td>
<td>126.36</td>
</tr>
<tr>
<td>10</td>
<td>701.90</td>
<td>1,403.80</td>
<td>1,520.80</td>
<td>3,041.70</td>
<td>9,125.00</td>
<td>18,250.00</td>
<td>36,500.00</td>
<td>140.40</td>
</tr>
</tbody>
</table>
Taxes, or, Where Did All That Money Go?

Your Paycheck

Step 1: Her employer adds her bonus to her regular wage: $200 + $700 = $900.
Step 2: Using the wage-bracket or percentage method, her employer figures the withholding on the total amount of $900: $47 (wage-bracket method).
Step 3: Donna’s employer looks back at her last regular wage payment of $700, and writes down what amount was withheld from that paycheck: $17.
Step 4: Her employer subtracts $17 from $47: $47 - $17 = $30.

Donna’s employer will withhold $30 from her $200 bonus.

If your employer doesn’t separate your supplemental wages from your regular wages by giving you separate paychecks or listing them separately on your pay stub, your employer will treat the total amount as one wage payment.

Example: Mike just received a $1,000 bonus because of his excellent work. His employer combines this bonus with his regular biweekly wages of $1,100. His total wages for the pay period are $2,100. Since Mike’s employer doesn’t separate these two kinds of payments, federal income tax will be withheld from his check as if his regular biweekly wages were $2,100.

If you are a very high earner and receive supplemental wages from your employer that add up to more than $1 million in a year, the amount over $1 million will be taxed at the highest income tax rate, which is 35% in 2009.

What are employment taxes?

Employment taxes are social security and Medicare taxes. All employers withhold these taxes from their employees’ pay. These taxes are also called FICA (Federal Insurance Contributions Act) taxes. These taxes are taken from your wages now to help you later in life. The social security wages on which your taxes are based are recorded in your individual social security account. The money you have earned will be used to determine your benefits when you retire or if you become disabled. Your Medicare taxes will provide you with basic health insurance once you reach 65, or earlier if you become disabled.

Each pay period, your employer pays the federal government an amount equal to your personal FICA taxes.
How do I calculate social security and Medicare taxes?

Both social security and Medicare taxes are a fixed percentage of your wages. In 2009, your employer will withhold 6.2% of your pay for social security taxes, and 1.45% for Medicare taxes. That means your total FICA taxes add up to 7.65% of your wages.

Social security wage limit. In 2009, any wages you earn above $106,800 won’t be subject to social security tax. The most you can pay in social security tax in 2009 is $6,621.60 ($106,800 x .062). There’s no upper limit on Medicare tax, though. Medicare tax will be withheld from all wages paid to you.

The following two examples show you how to figure out your employment taxes. Remember, 6.2% converted into decimals is .062, and 1.45% converted into decimals is .0145.

Example #1: Wages up to $106,800 per year.

Richard is paid $500 each week. His social security withholding per paycheck is $500 x .062, or $31. His Medicare tax per pay period is $500 x .0145, or $7.25. Richard’s employer withholds $31 + $7.25, or $38.25, in employment taxes from his wages each week. His employer has to pay the same amount to the federal government.

Example #2: Wages above $106,800 per year.

Between January 1 and December 21, 2009, Erin earned $106,200 in taxable wages. On December 22, she is paid another $1,500. She wants to figure out her employment tax withholding from this latest paycheck. How does she do this?

Calculating Erin’s social security tax

Step 1: Erin figures out how much of her $1,500 check is subject to social security tax. She does this by subtracting what she has already earned this year ($106,200) from the social security wage limit ($106,800): $106,800 - $106,200 = $600.

Step 2: She calculates her social security tax based on this $600 only. All her earnings above that are exempt from this tax. So, $600 x .062 = $37.20. That’s how much she’ll pay this pay period in social security tax.
Calculating Erin’s Medicare tax
This is easier, since all of Erin’s wages are subject to Medicare tax. All Erin has to do is multiply $1,500 by 1.45% to get her Medicare withholding:
$1,500 x .0145 = $21.75.

Erin’s share of employment taxes on her latest paycheck is $37.20 + $21.75, or $58.95. Her employer will pay the same amount to the federal government.

If you’re holding down more than one job. If you’re working for more than one employer, each employer has to withhold social security and Medicare taxes from your paychecks. You can’t combine your earnings from your different jobs to see if you’ve hit the social security wage limit. If you end up paying more in social security taxes than the law allows (more than $6,621.60 in 2009), you can get a refund when you file your income tax return.

Social Security Summary
Your social security benefit is a percentage of your earnings averaged over most of your working lifetime. If you work for someone else, your employer withholds social security and Medicare taxes from your paycheck, matches that amount, sends those taxes to the IRS and reports your earnings to the SSA. If you’re self-employed, you pay your own social security taxes when you file your tax return, and IRS reports your earnings to SSA. There are five major categories of benefits paid through social security: retirement, disability, family benefits, survivors, and Medicare. If you need specific information about any social security program, call the toll free number, 1-800-772-1213, or visit the website at www.socialsecurity.gov.

Medicare
The Centers for Medicare and Medicaid Services (CMS) administers Medicare, the nation’s largest health insurance program. Medicare provides health insurance to people age 65 and over and those who have permanent kidney failure and certain people with disabilities. If you have questions about eligibility, call the toll free number 1-800-325-0778 or visit the website at www.medicare.gov.
Taxes, or,
Where
Did All
That
Money
Go?

State Unemployment and Disability Insurance Taxes

If you’ve ever lost a job, you may already know about unemployment insurance. It provides you with a small income while you look for another job. A joint federal-state system handles this insurance. In most states, only your employer is responsible for paying the federal and state taxes that support the system. If you live in Alaska, New Jersey, or Pennsylvania, though, you’re required to pay part of the state unemployment insurance tax. Like the other taxes discussed earlier, this tax will be withheld directly from your paychecks.

State disability insurance tax exists in only five states (California, Hawaii, New Jersey, New York, and Rhode Island) and Puerto Rico. If you live in one of these states and suffer an injury or illness that’s not related to your work but that keeps you from working, you’ll receive money from a state fund. Both employers and employees pay taxes into this fund. Check your pay stub to find the exact amount being withheld from your paychecks.

In 2004, California began a Paid Family Leave program (PFL) that is paid for with employee contributions. The rate has been added to the state disability insurance rate. New Jersey began a similar program in 2009.

“Taxes are nature’s way of telling you you’re not in control.”
Pre-Tax Deductions, or, How to Reduce the Income Taxes You Pay
CHAPTER 4: PRE-TAX DEDUCTIONS, 
OR, HOW TO REDUCE THE INCOME 
TAXES YOU PAY

Now that you understand all the taxes you have to pay, you might be wonder-
ing if there’s any way you can reduce them. You know you can’t claim any 
more withholding allowances than you already have, and your marital status 
 isn’t going to change anytime soon. So what can you do? You may want to take 
advantage of “pre-tax deductions.” These deductions can cut down on your 
income taxes and increase your take-home pay. When you give your employer 
permission to make these deductions, this money is subtracted from your pay-
check before your wages are taxed. This means your income tax withholding 
will be based on a lower wage than you started with, resulting in lower taxes. 
These deductions will appear on your pay stub each payday.

You can use a pre-tax deduction to pay for a retirement plan. Keep reading 
to learn about the three most common retirement plans, the Section 401(k) 
plan, the Section 403(b) plan, and the Section 457(b) plan. You can also buy 
certain benefits with your pre-tax dollars. Several types of other benefits are 
discussed below: the “cafeteria” plan, which provides flexible benefits, a medical 
savings account, a health savings account, and transportation fringe benefits.

“Tax-Deferred” Retirement Plans

These plans are a great way for you to save money for your retirement. Each 
payday, you make a contribution to one of these plans. This contribution is 
taken out of your wages before income taxes are withheld. This reduces the 
amount of your earnings subject to income tax, lowering your total taxes. 
(Social security and Medicare taxes are withheld from your contributions, 
though.)

When you retire, you’ll get your contributions back in the form of regular 
payments from your retirement plan. These payments are subject to income taxes. 
That’s what “tax-deferred” means. Income taxes on your pre-tax contributions 
to the plan are deferred, or put off, until you get this money back after retire-
ment. The good news: after retirement, you’ll probably pay income taxes at a 
lower rate than you did while you were working. This means you’ll still end up 
paying less income tax on this money than you would have without the retire-
ment plan.

Many kinds of tax-deferred retirement plans are floating around out there. 
Your employer chooses which one to offer to employees depending on certain 
eligibility rules. The three most common plans are the Section 401(k) plan, the 
Section 403(b) plan, and the Section 457(b) plan. These are discussed below.
Section 401(k) plans

These are standard tax-deferred retirement plans. Each payday you contribute a set percentage of your wages to the plan, on a pre-tax basis. You don’t pay income taxes on this money until you get it back after retirement in the form of regular payments. State and local government employers can’t offer this plan to their employees.

Contribution limits. Employees who are under age 50 can’t contribute more than $16,500 to a 401(k) plan on a pre-tax basis in 2009. Employees who are at least 50 years old at any time during the year can contribute an extra $5,500 on a pre-tax basis as a “catch-up” contribution. If you want to, though, you can add to this total with after-tax contributions. Your employer might even choose to contribute to the plan in your name. Whatever the case, the grand total of contributions by you and your employer for a single year, both pre-tax and after-tax, can’t be more than $49,000 or 100% of your yearly wages (if you earn less than $49,000) in 2009. For example, suppose you receive $30,000 in wages in 2009 and you will not reach age 50 during the year. You can defer $16,500 of those wages to your 401(k) plan on a pre-tax basis. Another $13,500 could be contributed to your plan through after-tax contributions you make and/or contributions from your employer.

SIMPLE plans. If you work for a small company (100 employees or less), your employer might offer you a SIMPLE plan as part of a 401(k) plan. This plan also allows you to contribute a percentage of your pay toward your retirement, but only up to $11,500 in 2009. You can contribute an additional $2,500 on a pre-tax basis if you will reach age 50 during the year.

What happens to your contributions. Your contributions to a 401(k) plan are put into a special account set up for you by your employer. Your money is then invested in your employer’s stock, in a mutual fund, in a bond fund, in some kind of fixed income investment, or in some combination of these. Your employer might also choose to “match” your contributions. Your employer does this by putting into your account a certain fraction of a dollar for every full dollar you contribute. (Your employer has the right to set a limit on the percentage of your pay you can contribute. This limit can be lower than the maximum set by law.) As a result of these investments and employer contributions, you can expect your retirement money to grow over time.

Section 403(b) plans

These are tax-deferred retirement plans for employees of tax-exempt organizations. If you work for a public school, a college or university, a religious group, or a public charity, your employer may offer you this type of plan. You can contribute either to a “tax-sheltered annuity” or to a “tax-sheltered custodial account.”
Pre-Tax Deductions, or, How to Reduce the Income Taxes You Pay

Contribution limits. In 2009, you can contribute up to $16,500 to your 403(b) plan on a pre-tax basis. Employees who are least 50 years old at any time during the year can contribute an extra $5,500 on a pre-tax basis as a “catch-up” contribution.

The grand total of contributions by you and your employer for a single year, both pre-tax and after-tax, can’t be more than $49,000 or 100% of your yearly wages in 2009 (if you earn less than $49,000).

Section 457(b) plans

These are tax-deferred retirement plans for employees of state and local governments. Employees of tax-exempt organizations other than churches can also use this plan.

Contribution limits. In 2009, you can contribute up to $16,500 on a pre-tax basis to your plan. Employees who are least 50 years old at any time during the year can contribute an extra $5,500 on a pre-tax basis as a “catch-up” contribution. Your employer can also contribute to the plan on your behalf. The grand total of contributions by you and your employer for a single year, both pre-tax and after-tax, can’t be more than $49,000 or 100% of your yearly wages in 2009 (if you earn less than $49,000).

During the last three years before you retire, you might be able to contribute as much as double your elective deferral limit on a pre-tax basis. Your employer may allow you to contribute more than the usual limit during these three years, if you contributed less than your legal limit in previous years. Ask your employer for details about your specific plan.

“Cafeteria” Plans

Many employers offer their employees certain types of benefits, like medical and dental insurance. If benefits are available to you, check to see if your employer is using a “cafeteria” plan. If so, you’re in luck. Cafeteria plans allow employees to pick from a selection of “benefit packages.” The idea here is to make sure employees are paying only for the benefits they really need. Once you choose a particular benefit package, you’ll pay for these benefits with pre-tax and after-tax deductions from your paycheck. (Some cafeteria plans are paid for completely by employer contributions. If that’s the case, you won’t have to pay anything to get your benefits.)
The advantage of paying for benefits with pre-tax deductions

Paying for your benefits with pre-tax deductions is a good idea. Why? If you do, no federal income taxes, social security taxes, or Medicare taxes are taken out of the money you’re using to buy your benefits. The result: you’ll pay lower taxes and will go home with more money in your pocket on payday. If you ever convert any benefits into cash, though, by “selling” vacation days or the like, the cash you receive is taxable.

The menu

Cafeteria plans come with a “menu” of possible benefits. The menu has to include at least one tax-free benefit, and at least one cash benefit. The following are examples of common menu offerings.

- **Medical and/or dental coverage.** You can extend this coverage to your spouse and children, if you choose.
- **Group-term life insurance up to a value of $50,000.** If you want more than $50,000 worth of life insurance, you’ll have to pay social security and Medicare taxes on the additional amount you pay in premiums with a pre-tax deduction
- **Long-term disability insurance,** in case you become disabled and can no longer work.
- **Dependent care coverage.** This benefit is limited to $5,000. This coverage allows you to provide home nursing care and the like to an ill or disabled dependent.
- **A 401(k) plan.** Remember, contributions to this kind of retirement plan are subject to social security and Medicare taxes.
- **A health savings account (HSA).** You can contribute to an HSA through cafeteria plan pre-tax deductions.

Once you’ve selected your benefits, they can’t be changed during the plan year unless one of the following events occurs and the plan allows the change.

- Health care premiums go up or down significantly.
- Your health care coverage is significantly lessened or ended altogether.
- The plan adds a new benefit option or significantly improves an existing one.
- Your spouse or dependent changes their benefit election under their employer’s cafeteria plan.
- Your status or your spouse or dependent’s status changes.
Status changes that can affect your benefits include:

- marital status changes – marriage, divorce, death of spouse, legal separation, or annulment;
- changes in the number of dependents – birth, adoption, placement for adoption, or death of a dependent;
- employment status changes (for you or your spouse or child) – getting or losing a job, being on strike or locked out, going on or coming back from a leave of absence; change in worksite; change from full-time to part-time, exempt to nonexempt, or salaried to hourly status;
- change in a dependent’s status – reaching a certain age, becoming a college student or graduating from college; or
- residency change – you, your spouse or your dependent moves to a different area.

Flexible spending accounts (FSAs)

Many employers offer flexible spending accounts as part of their cafeteria plans. If you choose to, you can have pre-tax deductions taken out of your paycheck and put into your own flexible spending account. You can then use this money to pay for certain medical, dental, or dependent care expenses that aren’t covered by your insurance. To pay for medical expenses, you can take as much money from your account as you will contribute during the entire plan year. In other words, you can actually withdraw more money from the account than you’ve put into it, but only up to the total amount of your yearly deductions. To pay for dependent care expenses, you can take out only as much money as you’ve already deposited into the account during the plan year.

Use it or lose it! You need to spend all the money you’ve put into your FSA by the end of the plan year or by the end of your plan’s “grace period,” which can be as long as 2½ months after the end of the plan year. If you don’t, any balance remaining in your account will be lost. Be sure to figure out how much money you think you’ll need in the account before deciding on the size of your deductions.

Medical Savings Accounts

If you work for a small employer (50 employees or less), you might be able to take advantage of a medical savings account (MSA). These are set up to help people covered by high-deductible health insurance plans. (A “deductible” is the amount of your medical bills that you’re expected to pay each year. Once you reach this deductible, your health insurance company will take over and pay the rest of your bills.) In 2009, you can set up an MSA if you’ve got individual coverage with a yearly deductible.
of $2,000 to $3,000, or if you’ve got family coverage with a yearly deductible of $4,000 to $6,050. You fund your medical savings account through deductions from your wages, or your employer may make these contributions for you. You can use the money in your account to pay for certain kinds of medical expenses.

**Tax benefits.** MSAs make it possible for you to reduce your total tax bill, because you’re allowed to deduct your contributions from your gross income on your income tax return. (If your employer makes the contributions on your behalf, these aren’t thought of as part of your wages. You don’t pay federal income or employment taxes on this amount, either.) When you withdraw money from your account to pay for medical expenses, this money is tax free. If you use your MSA funds to pay for nonmedical expenses, though, the amount withdrawn is subject to income tax, as well as an extra 15% tax. This holds true unless you pull this money out of your MSA after you’ve reached age 65 or have become disabled. In these circumstances, the amount withdrawn won’t be taxed.

**Contribution limits.** Each year, you or your employer can contribute to your MSA as much as 65% of the health plan deductible for individual coverage, or as much as 75% of the deductible for family coverage. If your employer makes contributions for you, these will show up on your pay stub along with your other pre-tax deductions. Employer contributions will also appear on your annual Form W-2, your Wage and Tax Statement.

**Health Savings Accounts**

In 2004, a new type of tax-favored savings vehicle became available – a Health Savings Account (HSA). It is designed to help employees save for medical expenses while they are employed and into retirement. In general, HSAs are tax-exempt trusts or custodial accounts created to pay for the qualified medical expenses of the account holder and his or her spouse and dependents.

**You must be in a high deductible health plan.** HSAs may be established by individuals who are covered by a high deductible health plan (HDHP), which is defined as a plan with an annual deductible of at least $1,150 for 2009 for individual coverage or $2,300 for family coverage, and that has an out-of-pocket expense limit of no more than $5,800 for 2009 for individual coverage and $11,600 for family coverage.

Generally, you can’t open an HSA if you are covered under an HDHP and another health plan, although there are exceptions for workers’ compensation, auto insurance, and other limited coverage plans.
**Pre-Tax Deductions, or, How to Reduce the Income Taxes You Pay**

*Tax benefits.* Employer contributions to an HSA (including salary reduction contributions made through a cafeteria plan) are not subject to income and employment taxes if the employer reasonably believes at the time the contribution is made that it will be excludable from the employee’s income.

For 2009, the maximum annual contribution that can be made to an HSA is $3,000 for individuals and $5,950 for family coverage. If you will be 55 or older by the end of 2009, you can make an additional “catch-up” contribution of $1,000 to an HSA unless you are eligible for Medicare.

Distributions from an HSA for qualified medical expenses are excluded from your income if they are not covered by insurance or otherwise. Distributions from an HSA that are not for qualified medical expenses are included in gross income and are subject to an additional 10% tax unless made after death, disability, or the individual becomes eligible for Medicare. Employer contributions, including salary reduction contributions through a cafeteria plan, will be reported on your Form W-2.

**Transportation Fringe Benefits**

Your employer can save you money on the cost of getting to work without increasing your taxable income. Your employer can pay for these transportation benefits outright, or set up a pre-tax deduction so you can buy these benefits with tax-free earnings. The following benefits can be provided using either of these arrangements.

- Your employer can have you and your coworkers driven to work and back home again in a company van. The maximum value of this service is $120 per month in January and February 2009, and $230 per month from March - December.
- Your employer can supply you with transit passes, tokens, or fare cards, up to a maximum value of $120 per month in January and February 2009, and $230 per month from March - December.
- Your employer can provide parking on or near the worksite, or at a “park and ride” location, up to $230 per month in 2009.

Beginning in 2009, your employer can reimburse you for up to $20 per month for expenses related to commuting to work by bicycle, but can’t set up a pre-tax deduction for this benefit or combine it with any other transportation fringe benefit.

**Calculating Your Pre-tax Deductions**

Now that you’ve learned most of what there is to know about pre-tax deductions, how do you do the actual math? The example below will show you.
**Part I:** Gary is paid $650 each week in 2009. He contributes 6% before taxes to a 401(k) plan and $10 per paycheck in pre-tax deductions to a cafeteria plan. To figure out his taxable weekly wages, he goes through the following steps.

- **Step 1:** He calculates his 401(k) plan contribution: $650 x .06 = $39.
- **Step 2:** He subtracts this contribution and his cafeteria plan deduction from his total wages: $650 - $39 - $10 = $601. This is the total amount subject to federal income tax.
- **Step 3:** Gary remembers that 401(k) contributions aren't exempt from social security and Medicare taxes. He adds his $39 contribution back in, to get $640 ($601 + $39). This is the total amount subject to employment taxes.

By taking advantage of pre-tax deductions, Gary lowers the amount of his gross wages subject to federal income tax by $49, and the amount subject to employment taxes by $10.

**Part II:** Suppose that Gary is married and claims two withholding allowances on his W-4 form, and that he has no state income tax. As you know, the social security tax rate is 6.2% and the Medicare tax rate is 1.45%. Gary calculates his take-home pay for the week using the following steps.

- **Step 1:** He’s already figured out that his total pay subject to federal income tax is $601. Using the “Married Persons—Weekly Period” wage-bracket withholding table on page 26, Gary calculates his federal income tax withholding as $16.00.
- **Step 2:** His social security tax is based on $640 in wages: $640 x .062 = $39.68.
- **Step 3:** His Medicare tax is also based on $640 in wages: $640 x .0145 = $9.28.
- **Step 4:** Gary adds up all the taxes he has to pay: $16.00 + $39.68 + $9.28 = $64.96.
- **Step 5:** He remembers that he had $601 left after taking out his pre-tax deductions. He subtracts his total taxes from this figure: $601 - $64.96 = $536.04. This is Gary’s take-home pay.

What if Gary had used after-tax deductions, rather than pre-tax deductions? Would it have made a difference in his take-home pay?

Absolutely. Watch what happens when Gary figures in his 401(k) contribution and cafeteria plan payment as after-tax deductions.
Step 1: Since Gary has no pre-tax deductions, his entire weekly wage of $650 is taxable. Using the table on page 26, his federal income tax is $23.00.

Step 2: His social security tax is $650 \times 0.062$, or $40.30$.

Step 3: Gary’s Medicare tax is $650 \times 0.0145$, or $9.43$.

Step 4: His after-tax deductions are $39$, for his 401(k) plan, and $10$, for his cafeteria plan.

Step 5: Gary adds up his taxes and deductions: $23.00 + 40.30 + 9.43 + 39 + 10 = 121.73$.

Step 6: When Gary subtracts his total payments from his wages, he comes up with his take-home pay: $650 - 121.73 = 528.27$.

Gary saves $7.77 (536.04 - 528.27) per pay period by using pre-tax deductions.
After-Tax Deductions
CHAPTER 5: AFTER-TAX DEDUCTIONS

You already know that taxes and pre-tax deductions are taken out of your wages before you ever see your paycheck. There’s one more kind of payment that’s withheld directly from your earnings: after-tax deductions. Sometimes you choose to have this money withheld. That’s called a voluntary deduction, and it can be used to pay union dues or to make contributions to a charity, among other things. On the other hand, sometimes money is withheld as a result of an order issued by a court or some kind of government agency. This is called an involuntary deduction, and you have to pay it whether you want to or not. Involuntary deductions can be taken out of your earnings to pay child support, unpaid taxes, and personal debts.

Whether your after-tax deductions are voluntary or involuntary, they come out of the earnings that are left after all of your taxes have been withheld. After-tax deductions don’t affect the amount of taxes you owe.

Involuntary Deductions

If you ever get hit with an involuntary deduction, you should know that your employer has no choice but to withhold the amount indicated in the court or government order. Your employer is then required to send that amount to the person or agency you owe. Any employer that disobeys this type of order will be subject to fines, and will have to pay whatever part of the required amount wasn’t taken out of the employee’s pay. Involuntary deductions are usually used to pay unpaid taxes, child support orders, “creditor garnishments,” bankruptcy orders, and unpaid student loans.

Unpaid taxes

If you don’t pay all your federal taxes on time, and refuse to cooperate with the IRS’s efforts to collect those taxes, the IRS might issue a “tax levy” against your wages. Your employer will then have to deduct from your wages whatever amount you owe the IRS, plus penalties and interest charges. If this amount is small, it will all be taken from one paycheck. Deductions for larger tax bills will be spread out over several pay periods. This deduction won’t affect any of the current taxes you’re paying on your wages. States and localities will also issue tax levies if you don’t pay income taxes owed to them.

When you’ve paid your entire tax bill, including penalties and interest, the IRS will send written notice of this fact to your employer. At this point, the involuntary deductions will stop. State tax levies work the same way federal tax levies do.
Form 668-W, Notice of Levy on Wages, Salary and Other Income. This is the form that the IRS sends to your employer to demand that some of your wages be withheld. It has six parts. It’s important that you understand this form, and what you’re expected to do with the parts you have to fill out.

- Part 2 is your copy of the notice. Keep it for your records.
- Parts 3-5 ask you for information about your income tax filing status (single, married filing jointly, etc.) and about any dependents you claim as personal exemptions. This information will go to your employer and to the IRS. Your employer needs it to determine how much of your take-home pay is exempt from the tax levy (see below).
- Return Parts 3 and 4 to your employer as quickly as possible. Your employer needs this information from you within three days of receiving the 668-W form from the IRS. If you don’t turn these pages back in, the IRS will tell your employer how much to deduct from your pay.
- Part 5 is your copy of the information you supplied to your employer: your tax filing status and personal exemptions. You should keep this for your records.

The part of your pay that is subject to tax levy. There is a limit to the amount of your wages the IRS can have withheld. Some of your take-home pay is exempt from deduction, based on your estimated living expenses. Your take-home pay is equal to your gross pay minus any amounts withheld by your employer, like taxes and health insurance. The following is a list of taxes and deductions that your employer can take out of your gross pay.

- Federal, state, and local income taxes, as well as employment taxes (social security and Medicare).
- Any other involuntary or voluntary deductions already being withheld from your wages when the IRS issued the tax levy against you. The amount of these deductions can be increased when necessary. Suppose, for instance, that you’re having a certain percentage of your salary put into a retirement plan each payday. Your supervisor gives you a raise. Since your salary goes up, the deduction for your retirement plan will also go up. Your deductions can also increase as a result of a hike in the cost of your benefits.
- Any additional, required deductions that are introduced by your employer after the IRS issues the levy. If you work in a union shop, for instance, your employer can require you to pay union dues.

Based on your tax filing status and the number of personal exemptions you claim on Form 668-W, your employer determines the amount of your income that is exempt from the tax levy. This exempt amount is subtracted from your
take-home pay and paid to you. The rest of your take-home pay goes to the IRS to pay off your tax bill.

The tax levy and other involuntary deductions. Bankruptcy orders always have to be paid before tax levies. Child support withholding orders, if they were already in effect when the levy was issued, also have to be paid before you pay the IRS. Otherwise, your employer has to satisfy your tax levy before all your other involuntary deductions. If you’ve got more than one tax levy against your wages, and your earnings can’t pay for all of them, your employer generally has to satisfy the one received first before turning to the others.

Child support withholding orders

Wages withheld from your paychecks to satisfy a child support order are another kind of involuntary deduction. If you’re obligated by a court or agency order to pay child support, your earnings are subject to immediate and automatic withholding by your employer. Sometimes both parents, or one parent and the court, agree to a different method of payment. In that case, child support doesn’t have to be paid with involuntary deductions. If a payment is ever late, though, wage withholding will start up automatically without a court or agency hearing. State child support agencies don’t have to notify you before they send a withholding order to your employer. They’re only required to tell you about it afterward. In addition, your employer has to obey a child support withholding order received from another state.

When withholding begins, and when it ends. Your employer will start withholding child support within 14 working days of receiving the order. In some states, withholding has to begin even sooner. Your employer sends the money to the person or agency named in the order. The deductions will continue until your employer receives written notice from the court or agency to stop the withholding. When your child or children become “emancipated” — that is, when they reach the age of 18 or 21, depending on the state — you no longer have to pay child support. In this case, it’s your responsibility to have an order issued to stop the withholding.

The part of your pay that is subject to child support withholding. The order received by your employer states the amount to be deducted from your wages. This amount is subtracted from your “disposable earnings.” Your disposable earnings are what’s left from your gross pay after the employer deducts any amounts for income and employment taxes. Federal law sets the following limits on the percentage of your disposable earnings that can be withheld to pay for child (or spousal) support.
Your Paycheck

- 50% of your disposable earnings can be withheld if you’re supporting another spouse and/or child. This jumps to 55% if you’re over 12 weeks late with your payments.
- 60% of your disposable earnings can be withheld if you’re not supporting another spouse and/or child. This goes up to 65% if you’re over 12 weeks late with your payments.

Your employer withholds your current support obligations before turning to past-due amounts. If you’re paying off past-due child support, your current payments plus these other amounts can’t add up to more than the maximum percentage. State law can lower the maximum percentage that may be withheld, but can’t raise the percentage past the federal limits shown above.

*Child support and other involuntary deductions.* Tax levies that your employer received before the child support withholding order have to be paid before the child support. Other than this exception, your employer has to satisfy your child support withholding before all your other involuntary deductions.

If state law allows, your employer can deduct a small fee each pay period for processing wage withholding orders. This fee will usually come out of your take-home pay, not out of the child support payment.

**KNOW YOUR RIGHTS**—Your employer can’t fire you, punish you, or discriminate against you because your pay is subject to child support withholding. Any employer that does these things because of your child support obligations will be hit with stiff fines, and can be ordered to give you your job back.

If your employer doesn’t deduct the full total required by the support order, the employer has to pay whatever amount wasn’t correctly withheld.

**Creditor garnishments**

If you owe a debt to someone, that person (your creditor) might go to court to have some of your wages withheld from your paycheck and sent to him or her. This is called a creditor garnishment. These require your employer to withhold the amount you owe from your take-home pay, up to a certain legal maximum (see below).

*When withholding begins, and when it ends.* Your employer will receive a court notice explaining the reason for the garnishment and the total amount of your debt. Your employer should give you a copy of this notice, and then begin withholding wages. This deduction ends when you’ve paid off your entire debt.

*The part of your pay that is subject to creditor garnishments.* The maximum amount of your take-home pay that can be garnished in a week is the smaller of the following two possibilities:
• 25% of your weekly disposable earnings, or
• your weekly disposable earnings minus $196.50 (30 times the current federal minimum wage — $6.55 as of July 24, 2008).

**Example:** Say you have $400 in weekly disposable earnings. To figure out your maximum garnishment, first multiply your disposable earnings by 25%: $400 x .25 = $100. Then subtract $196.50 from your disposable earnings: $400 - $196.50 = $203.50. Now compare the two results. $100 is the smaller of the two figures, so it’s the maximum amount that can be withheld from your paycheck each week.

On July 24, 2009, when the federal minimum wage increases to $7.25 per hour, 30 times the minimum wage will increase to $217.50.

These amounts can be adjusted if you’re not paid on a weekly basis. State law can’t allow a higher limit on creditor garnishments than the one described above, but it can set a lower limit. In some states, this type of involuntary deduction is illegal.

**If you’re paid by the hour, be careful.** Creditor garnishments may reduce your earnings below the minimum wage level. This is possible because the amount withheld is considered to be part of your wages. If your employer deducts more than the federal limit, though, the extra amount withheld isn’t thought of as part of your earnings. This extra deduction can’t push your pay level below the minimum wage.

**Creditor garnishments and other involuntary deductions.** Your employer has to deduct for a child support withholding order, a tax levy, or a bankruptcy order before turning to a creditor garnishment. If any one of these other deductions, or a combination of them, amounts to 25% or more of your take-home pay, your employer can’t withhold anything for the garnishment.

**Multiple garnishments.** No matter how many garnishments are issued against you, the limit outlined above still applies. If your employer is already withholding the maximum amount from your wages, and then receives another garnishment, nothing can be deducted for the second garnishment. The order in which garnishments have to be paid varies in different states.

**KNOW YOUR RIGHTS**—Your employer can’t fire you because your earnings are subject to garnishment for a “single” debt, no matter how many garnishments are issued to collect it. A “single” debt usually means one debt owed to one creditor, but a single debt also results when several creditors combine their debts in one “garnishment action.” It’s also considered a single debt when one creditor combines a number of debts into one garnishment.
Bankruptcy orders

If you’ve been declared bankrupt by a court, a “bankruptcy trustee” appointed by the bankruptcy court will arrange for the payment of your creditors. This trustee might send a bankruptcy order to your employer, requiring that a certain amount of your earnings be paid to the trustee. This individual will use these withheld wages to pay your creditors.

Bankruptcy orders and other involuntary deductions. Bankruptcy orders have to be satisfied before all other claims against your wages, other than child support withholding orders and repayments of loans from your retirement plan. When your employer receives a bankruptcy order, your other involuntary deductions that don’t have priority will cease. Your trustee will arrange for you to pay off all your debts, including those represented by these involuntary deductions.

Know Your Rights—Your employer can’t continue to withhold wages for other garnishments unless the trustee instructs your employer to do so. If you’ve got a creditor who isn’t listed in the bankruptcy order, your employer needs to ask the trustee whether or not to continue with that specific garnishment. You can’t be fired for having a bankruptcy order issued against you.

Student loans

If you’ve failed to repay a loan granted under the federal Guaranteed Student Loan Program, you might find your wages garnished to pay off this debt.

Know Your Rights—The following restrictions apply to student loan garnishments.

- No more than 15% of your disposable earnings can be withheld to satisfy an unpaid student loan, unless you agree in writing to a higher percentage.
- Your employer has to tell you about the garnishment at least 30 days before beginning to withhold your wages. You can use that time to work out a repayment schedule for the loan, so you can avoid having your earnings garnished.
- Your employer can’t fire you or discriminate against you because of a student loan garnishment. If you are fired because of this garnishment, take your employer to court. The court may well order your employer to rehire you, and to pay you the back wages you lost while you were out of work.
After-Tax Deductions

- Your student loan garnishments aren't considered to be more important than any other garnishments against your wages. Your employer won't rush to pay off your student loan before turning to other debts.
- Suppose you lose your job, but manage to find another one within a year. Your wages can't be garnished to pay off a student loan until you've been employed at that second job for at least 12 months.
- Any employer that doesn't obey a student loan garnishment order will have to pay whatever amount wasn't correctly withheld from the employee's wages. Such an employer will also be hit with fines and court fees.

Other federal debts

Your wages can also be garnished to pay off loans or benefit overpayments made by other agencies of the federal government, like the Small Business Administration, Social Security Administration, Veterans Administration, and Housing and Urban Development.

Voluntary Deductions

Not every after-tax deduction is involuntary. You can choose to have wages subtracted from your take-home pay each pay period to repay a debt, to pay union dues, to buy U.S. savings bonds, to make contributions to a charity, or to do various other things. Remember, though, that these after-tax deductions won't lower your taxes or limit your involuntary deductions. Your employer will see to it that all your other deductions are made before turning to any voluntary withholding from your wages.

Wage assignments

If you're in debt, you can voluntarily agree to have part of your wages sent each payday to someone called an "assignee." This person will see to it that your creditor is paid off, if for some reason you don't succeed in repaying your debt on time. This is called a "wage assignment."

You may also use a wage assignment to pay child support, or to pay back taxes to the IRS. By signing up for voluntary withholding in these cases, you avoid having involuntary deductions taken from your earnings.

Wage assignment limits. Since wage assignments are voluntary, there are no federal limits set on them. If the wages you assign aren't enough to pay off a certain debt, though, and a creditor garnishment is issued, the garnishment limits will apply to your withholding.

Wage assignments can legally lower your earnings below minimum wage. The money paid to your assignee is thought of as money paid to you.
Wage assignments and state law. Even though wage assignments aren’t limited by federal law, they may be restricted by state law. You should check with your employer, your state’s labor department, or a lawyer before agreeing to a wage assignment. The following are issues that may affect wage assignments in your state.

- Your employer can refuse to accept wage assignments, unless legally required to do so.
- Your state might not allow wage assignments at all.
- Most states will only allow you to assign wages that you’ve already earned. In other words, they won’t permit you to assign future wages.
- If your state does allow you to assign future wages, it will probably limit the amount you can assign and the time span your assignment can cover.
- States attach different degrees of importance to wage assignments. Your employer might be required to pay off all other deductions before turning to your wage assignment.

Union dues

If you belong to a union, you can have your union dues deducted from your after-tax wages and paid over by your employer. Only dues, initiation fees, and assessments can be paid to your union in this way. You have to give your employer written permission for this deduction. Once you’ve given this permission, you can’t take it back until the union contract expires or until a full year goes by. At that point you’d need to tell your employer to stop the deduction, or to sign another permission form if you wanted it to continue.

If dues are required by your union’s contract, your employer can deduct these from your wages even if this lowers your pay below the minimum wage.

Credit union deductions

Credit unions are savings and loan companies that have been set up by employees. Many employees who have access to credit unions turn to them, instead of banks, when saving or borrowing money. If you use a credit union, your employer might allow you to deduct wages and put the money directly into your savings account, or apply the money to your credit union loan. Ask your employer if this type of deduction is allowed. If it is, you have to give your employer permission to begin withholding wages. This permission needs to take the form of a written statement, signed by you, which details the amount you want withheld each pay period, how long you want the deductions to go on, and where exactly you want the withheld money to go.
**U.S. Savings Bonds**

If your employer has a U.S. Savings Bonds program, you can buy Series EE U.S. Savings Bonds worth $100 or more through after-tax wage deductions. To buy a bond, you pay one-half of its face value. For example, if you want a $500 savings bond, you’re only required to give $250 for it. If you leave your job, you have to be paid back any of your earnings that have already been deducted from your pay, but that haven’t yet been used to buy a bond.

*The advantages of savings bonds.* Savings bonds start accumulating interest in the month they’re purchased. All the interest you earn on Series EE bonds is free from federal income tax until you cash in the bonds. If you’re using the bonds to pay for your children’s college education, the interest may be totally tax-free. In any case, none of the interest will be subject to state or local taxes. (Remember, though, that the part of your paycheck you used to pay for the bonds has already had all federal, state, and local taxes taken out of it.)

*Employee permission required.* Before you can buy savings bonds using wage deductions, you have to fill out and sign an enrollment card. This card includes information on the amount of money you want withheld, who your beneficiaries are (that is, who will get the bonds if you die), and the kind of bonds you want. You can get an enrollment card from your employer or from a regional office of the U.S. Treasury.

*Series I Bonds.* You can also buy Series I Savings Bonds. These are “inflation adjusted,” which means that if inflation goes up significantly, the interest rate on your bonds will also go up.

**Contributions to charity**

Your employer might offer you the chance to make voluntary donations to charity using deductions from your wages. Your employer withholds the amount you specify, and gives that money to the charity or charities of your choice. If you itemize deductions on your federal tax return, you can deduct the amount of certain charitable contributions you’ve made during the year.

*Proof of contribution required.* If you want to deduct charitable contributions of money on your federal income tax return, you have to have documentation showing the name of the charity and the date and amount of the contribution.

If you want to claim a charitable deduction made through one or more payroll deductions on your federal income tax return, the documents you need are:

- a pay stub, a W-2 form, or any other document provided by your employer that shows how much of your paycheck was withheld to contribute to the charity, and
Your Paycheck

• a “pledge card” or other document provided by the charity that shows the name of the charity.

If you have $250 or more deducted from any one paycheck as a charitable contribution, the charity must include a statement to the effect that no goods or services were given to you in return for your donation.
“Well…let’s see if Brewster says his check’s not big enough THIS time.”
Your Rights and Responsibilities in the Workplace
CHAPTER 6: YOUR RIGHTS AND RESPONSIBILITIES IN THE WORKPLACE

When you become an employee, you gain the right to various kinds of benefits and opportunities. These can help you to save money on your federal income tax return, to take time off without being fired when a family member gets sick, and to adopt a child, among other things. These benefits are guaranteed to you by law. Your employer can help you with many of them, but it's generally your responsibility to get the ball rolling. This final section explains the programs that are available to you, and tells you what to do to make them work for you and your family.

First, the Basics:
Form W-2, Your Wage and Tax Statement

This form lists all the wages paid to you by your employer during the calendar year. It also shows you how much your employer deducted in taxes throughout the year. You need this information to fill out your federal income tax return, as well as any state or local income tax returns you have to submit. Your employer reports the information on your W-2 to the SSA, so that your social security account can be credited. The SSA then passes the information on to the IRS.

If you have your personal income tax returns prepared by a professional tax return preparer or return preparation company, make sure you give them all your W-2 forms before they begin preparing your returns. You should not substitute your final pay stub of the year for your W-2 because some of the information on the pay stub may have changed before you received your W-2.

Each employer you worked for during the year must give you a Form W-2, even if you only worked for the employer for one day.

Your employer has to get the Form W-2 into the mail for you by January 31 of each year, if during the previous calendar year any of the following conditions applied to you.

- You received payment from your employer for work you performed. This payment could have taken the form of wages, tips, or some other kind of compensation.
- You had federal income tax, social security tax, and Medicare tax withheld from your pay.
Your Paycheck

- You would have had income taxes withheld from your pay, but the number of withholding allowances you claimed on your W-4 form was so high that no taxes ended up being deducted.
- You would have had to pay income taxes, but you realized you were exempt from withholding.
- You received advance payments of the Earned Income Credit.
Your W-2 report includes only those wages paid to you during a specific calendar year, no matter when you earned those wages. Suppose, for example, that you earn $400 between December 25 and December 31, 2009. You don’t actually receive those wages until January 4, 2010, so the amount you earned that week won’t appear on your 2009 Form W-2. Those earnings will instead show up on your W-2 form for the year 2010.

How the W-2 form works. This form is actually made up of six separate copies, but you only see three of these. Your employer keeps one, and sends the others away: one of these goes to the state tax agency, another goes to the SSA, and the final three go to you. They should be given to you or postmarked no later than January 31. The following table shows you what to do with your three copies.

<table>
<thead>
<tr>
<th>Copy</th>
<th>What to do with it</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copy B</td>
<td>File it with your federal tax return</td>
</tr>
<tr>
<td>Copy C</td>
<td>Keep it for your personal records</td>
</tr>
<tr>
<td>Copy 2</td>
<td>File it with your state tax return</td>
</tr>
</tbody>
</table>

What to do if you lose your W-2. Your employer can replace the lost form with a “reissued statement.” This will take a little time to process, so be prepared to wait. Your employer might charge you a fee for providing you with a new W-2.

Check your Form W-2 for mistakes! Make sure your name, address, and social security number are correct. You should also compare your final pay stub for the year with the wage, tax, and other amounts shown on the W-2, to be certain your employer got all the numbers right. Mistakes on your W-2 could cause an incorrect amount of earnings to be reported to the SSA. If this happened, you might end up receiving lower social security benefits after retirement than you’re actually owed. Let your employer know immediately if you spot a mistake, so it can be corrected as soon as possible.

Be careful when you check over your W-2, though. Some of the totals on your W-2 form might not match those shown on your final pay stub. This doesn’t automatically mean that either the W-2 or the pay stub is wrong. Instead it could mean that some of your wages weren’t subject to withholding for income or employment taxes.

Suppose, for example, that you contributed to a 401(k) retirement plan throughout the year. The amounts you paid into the plan weren’t subject to income tax withholding, so they won’t appear on your pay stub as part of your gross taxable wages. They also won’t show up in your federal taxable income total (Box 1) on your W-2 form. Your gross taxable wages (from your pay stub) should match the number in Box 1 of your W-2.
Even though income taxes weren’t taken out of your 401(k) contributions, employment taxes (social security and Medicare) were subtracted from these contributions. The wages you paid into your retirement plan will appear as part of your total earnings in Boxes 3 and 5 of your W-2, where your total wages subject to employment taxes are shown. (These amounts will also be included in Box 12, and your employer has to check the “Retirement plan” box in Box 13, except for §457(b) plans.) In this case, the number that appears in Boxes 3 and 5 on your W-2 form will not match your gross taxable wages on your pay stub; the number on your W-2 will be higher.

**If you leave your job.** If your employment ends before the calendar year does, you can ask your employer in writing for your W-2 form. (If you’re not in a hurry to get your W-2, you can wait until January of the next year, when you’ll receive the form automatically.) Your employer has to mail out your W-2 within 30 days of your request, or within 30 days of your final wage payment, whichever happens later. If your employer goes out of business, you should get your W-2 in the mail no more than four months afterward.

### The Earned Income Credit

So now you have your W-2 and you’re ready to file your income tax return. If you earned less than a certain amount last year, you’re entitled to the Earned Income Credit (EIC). The EIC is a tax credit which you’ll receive in the form of a tax refund. Your employer should tell you about the EIC if you qualify for it, but it’s your responsibility to claim the credit when you file your income tax return. Even if you don’t usually file a tax return because your income is lower than the filing requirements, you have to file a return to get the credit.

The maximum credits available for 2009 are shown below.

- If you’ve got one qualifying (dependent) child, your maximum credit is $3,043.
- If you’ve got two qualifying children, your maximum credit is $5,028.
- If you’ve got three or more qualifying children, your maximum credit is $5,656.50.
- If you have no qualifying children, your maximum credit is $457.
Who can claim the EIC?

You can claim the EIC for 2009 if you meet all of the following requirements.

- Your 2009 adjusted gross income is less than
  $35,463 if your tax filing status is single or head of household and
  you have 1 qualifying child,
  $40,463 if your tax filing status is married filing jointly and you have
  1 qualifying child,
  $40,295 if your tax filing status is single or head of household and
  you have 2 or more qualifying children,
  $45,295 if your tax filing status is married filing jointly and you have
  2 or more qualifying children,
  $13,440 if your tax filing status is single or head of household and
  you have no qualifying children, or
  $18,440 if your tax filing status is married filing jointly and you have
  no qualifying children.

- You’ve met one of the following two conditions.
  1. You had a qualifying child who lived with you in the U.S.
     for more than six months during the year. It doesn’t matter
     if the child was away at school.
  2. You don’t have a qualifying child but you (and your spouse)
     are between 25 and 65 years old, you’ve lived in the U.S. for
     at least half the year, and you can’t be claimed as a depend-
     ent on someone else’s tax return.

- You filed your tax return as a single person, as married filing jointly,
  as head of household, or as a qualifying widow or widower with a
  dependent child.

- You didn’t take the exclusion for foreign earned income or housing
  expenses, or the deduction for foreign housing expenses.

- You are not a nonresident alien (unless you are married to a U.S.
  citizen or resident and choose to be treated as a resident alien for tax
  purposes).

- You have no more than $3,100 of certain types of unearned income
  (e.g., interest and dividends, capital gains) for the year.

- You include a valid social security number for yourself, your spouse,
  and your qualifying children on your personal tax return.

Does my employer have to tell me about the EIC?

If there’s no federal income tax withheld from your wages, your employer is
required by law to tell you that you’re entitled to the EIC. This holds true unless
you claimed to be exempt on your W-4 form. If you earn less than $45,295
in 2009, your employer is encouraged tell you about the EIC, though the law
doesn’t require this.
Your Paycheck

Your employer has to provide you with one of the following documents when notifying you about the EIC.

- Copy B of Form W-2. This has the EIC statement on the back.
- Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit.
- A written statement with the exact same wording as Notice 797.

Can I get advance payments of the EIC?

You might be able to get advance payments of part of your EIC with your paychecks, instead of receiving your credit all at once when you file a tax return. In 2009, for example, single employees with one qualifying child who earn less than a total of $35,463 ($40,463 for married employees) can get up to $1,826 in advance EIC (AEIC) payments during the year. This is 60% of the maximum credit available to employees with one qualifying child. The remaining credit has to be claimed on your income tax return. The advance EIC isn't offered to employees with no qualifying children.

How do I file for the AEIC?

To take advantage of the advance EIC you need to complete Form W-5, the Earned Income Credit Advance Payment Certificate, and turn this in to your employer. This form takes effect immediately, and remains in force through the end of the calendar year. If you want to continue receiving advance payments during the next year, file a new W-5 form before the end of the first pay period in the new year.

What if my status changes after I file for the AEIC?

If your circumstances change and you’re no longer entitled to the AEIC, you have to inform your employer in writing of this status change within 10 days. If your spouse submits a W-5 form to his or her employer while your W-5 is in effect, you’ve got 10 days to submit a new W-5 reflecting this change. You should also file a new form if your spouse’s W-5 becomes ineffective. If you’re no longer entitled to the AEIC but you don’t tell your employer about this, you’ll have to pay back all of your advance payments when you file your federal income tax return.

Check on Your Social Security Earnings and Benefits

If you’re an employee at least 25 years old and you aren’t already getting social security benefits, you either received a Social Security Statement (SSS) recently or you’re due to receive one soon. This earnings statement is sent out by the SSA. Your statement will be mailed to you each year about 3 months
before your birthday. The SSS is a 4-page statement that allows you to check the accuracy of the information on your W-2 form in your SSA earnings record. It also gives you estimates of the monthly retirement benefits, disability benefits, and survivors' benefits you and your family could expect from the SSA now or in the future.

*How to request a statement.* If you'd like to request a SSS, file Form SSA-7004, the Request for Earnings and Benefit Estimate Statement. You can get this form by calling 1-800-SSA-1213, by going to a local SSA office, or by visiting the SSA's website at www.socialsecurity.gov.

*How to review your statement.* When you receive your SSS, check to be sure that your name and date of birth are correct. To protect against identity theft, only the last 4 digits of your social security number are shown on the statement. You should also figure out whether or not your earnings record is accurate. The statement tells you what to do if you notice any incorrect information. Be sure to contact the SSA immediately if you discover any of the following errors:

- Your name and/or the last 4 digits of your social security number on the statement doesn't match your social security card or your employer's payroll records.
- The statement shows missing or incorrect earnings as a result of more than one Form W-2 having been submitted to the SSA in a single year. (This will occur if you change employers during the year, or work for more than one employer at the same time.) You should have your tax records in hand when you get in touch with the SSA to correct this error.
- The statement shows missing or incorrect earnings that occurred while you were working for an employer before your current employer.
- You're a state or local government employee and your statement shows missing or incorrect earnings from the years before 1987.

*How to prevent future errors.* If you're careful to do each of the following things, you can help to make sure that all your wages are properly reported to the SSA.

- Report a name change to the SSA by calling 1-800-SSA-1213, asking for Form SS-5, the Application for a Social Security Card, completing the form, and submitting it to the SSA.
- Check your name and social security number on your employer’s payroll records whenever you’re asked to, and on your W-2 form when you receive it each year. The information should agree with your social security card.
- Reply quickly to the SSA if you’re contacted about name changes, since this probably means your name or social security number has been entered incorrectly on your W-2 or on some other official form.
Workers' Compensation Insurance

If you’re injured or get sick on the job, you might be entitled to workers’ compensation benefits. All employers are required by law to carry workers’ compensation insurance. In the event you suffer a work-related injury or illness, this insurance pays all your medical bills. This is true no matter who is responsible for the error that led to your injury or sickness. Over and above these medical bills, insurance also pays you income benefits during the time you’re unable to work. These cash benefits are usually some percentage of your regular wages.

Taxes and your workers’ compensation benefits. Your workers’ compensation benefits aren’t considered to be wages, and they aren’t included in your gross income. They’re not subject to income taxes, social security taxes, or Medicare taxes as long as they don’t go over the benefit limit set by state law.

Some larger employers, usually in the public sector, are “self-insured” and pay workers’ compensation benefits themselves. If this is the case with your employer, your benefits will still be tax exempt.

While you’re receiving workers’ compensation benefits, your employer might keep paying you all or part of your regular wages. These wages are subject to withholding for all income and employment taxes. This kind of arrangement might also require you to turn over your workers’ compensation benefits to your employer.

The Family and Medical Leave Act

If you work for a company with 50 or more employees, the Family and Medical Leave Act (FMLA) applies to you. This law gives you the right to take up to 12 weeks of unpaid leave per year to deal with certain kinds of situations: your own serious illness; the serious illness of your child, spouse, or parent; the birth of a child; the placement with you of an adopted or foster child or the need to deal with an emergency because your spouse, child, or parent is on active duty with the military or has been notified of a call to such active duty. The FMLA also allows you to take up to 26 weeks of unpaid leave to care for a spouse, child, or parent who suffers a serious injury or illness in the line of duty while on active duty with the military.

While you’re on leave, you have the right to continue your health coverage just as though you’re still working. This means that if you had to pay all or part of your insurance premiums while you were on the job, you have to keep paying those during your leave. When you come back from leave, you should get your old job back, or at the very least a job with similar pay and benefits.
Which employers have to grant FMLA leave?

Employers have to offer FMLA leave if they’ve got 50 or more employees, working at a single worksite or within 75 miles of each other. This minimum of 50 employees includes part-timers and any workers who are on leave or suspension.

Which employees are entitled to take FMLA leave?

You can take advantage of FMLA leave if all of the following conditions apply to you.

- You work for a covered employer.
- You’ve been working for this same employer for at least 12 months before you request FMLA leave. These 12 months don’t have to have been in a row, but hours worked before a break of 7 years or more need not be counted.
- You’ve worked for this employer at least 1,250 hours during the 12 months before your leave request. (This amounts to 8 months of work at 40 hours per week, or 12 months of work at 25 hours per week.)

Seasonal and part-time employees can take FMLA leave if they meet all of these requirements. Employers don’t have to offer FMLA leave to their “key salaried employees,” those workers who belong to the highest-paid 10% of a company’s workforce, if their absence would significantly hurt the company.

When can I take FMLA leave?

If you’re requesting leave because of the birth of a child, or the placement of an adopted or foster child, you have to take the leave within 12 months of the birth or placement. If you need leave to care for someone in your family with a “serious health condition,” because of your own serious health condition, or to deal with an emergency caused by a family member’s call to active duty, you have to use the leave within a 12-month period. Your employer sets this 12-month period; it can be a calendar year, a fiscal year, or a year beginning on the date you started work or the day your leave began.

If you’re requesting leave to care for a family member with a serious injury or illness suffered in the line of duty while on active military duty, the 12-month period you have to take the leave begins on the first day you take the leave.

Remember, you can only take FMLA leave to care for a child, spouse, or parent. Other family members and in-laws aren’t covered by this act. If both you and your spouse work for the same employer, the two of you are entitled to a total of 12 weeks’ leave to take care of a newborn baby, a newly adopted child, or a seriously ill parent. So, for instance, you could each take 6 weeks’ leave, or one of you could take 8 weeks’ leave while the other takes 4, and so on.
or your spouse becomes ill, or your child comes down with a serious sickness, each of you can take the full 12 weeks of leave.

**What exactly is a “serious health condition”?**

A qualifying serious health condition can be an illness, injury, impairment, or physical or mental condition. It has to involve inpatient care in a hospital, hospice, or residential medical care facility, or some kind of continuing treatment by a health care provider. This continuing treatment has to keep the patient out of work or school for at least three days in a row. (Weekends and holidays are counted as part of these three days.) Continuing treatment also has to involve follow-up care by a health care provider – 2 visits in the first 30 days, with the first one within 7 days of the first day of incapacity. Exceptions are made to this three-day requirement in the case of treatment for chronic conditions, like asthma or diabetes, and in the case of treatment for pregnancy.

**Can I take intermittent leave under the FMLA?**

If it’s medically necessary, you can take your leave intermittently under the FMLA. Taking intermittent leave involves spreading out your absences from work over several days, weeks, or months, missing a few hours here and a few days there. It can also involve working a reduced schedule, such as going from full-time employment to part-time work. You might want to take advantage of this kind of leave if you know you’re going to be absent from work now and then to receive medical treatments. The hours you’re not at work can be deducted from your wages, even if you’re an exempt employee. This reduction in your salary won’t make you a nonexempt (hourly) employee.

**Do I have to use up my paid leave first?**

Your employer can require you to use up all your paid vacation days and personal days before starting in on your unpaid FMLA leave. These days become part of your total 12-week leave. When you take time off under the FMLA, your employer has to notify you that your absence from work is being counted as FMLA leave.

**When do I have to notify my employer?**

If you’re requesting leave to care for a newborn baby or a newly adopted child, or for medical treatments you know about in advance, you need to give your employer 30 days’ notice. If that’s not realistic, give as much advance notice as possible. The same rule applies to emergency situations: give whatever notice you can. If the reason for your leave was known to you well in advance, but you didn’t tell your employer about it until the last minute, your employer has the right to deny your leave request for up to 30 days.
Your Rights and Responsibilities in the Workplace

**Know Your Rights**—If you think your employer is violating the FMLA requirements, contact the Department of Labor’s Wage and Hour Division. You can sue your employer to recover wages and benefits that were illegally denied to you. You can also sue your employer to get your old job back, if it’s not there for you when you return from leave or if you’re given a new job that amounts to a demotion. If you win your case, your employer has to pay all the costs of your lawsuit.

**Your Right to Continued Health Coverage Under “COBRA”**

If you participate in your employer’s group health plan, and something happens that would cause you and your family to lose those health benefits, you might be able to continue your coverage under COBRA. This is a federal law that allows you and your family to retain group health insurance for up to three years after you experience a “qualifying event.”

**How do I know if COBRA applies to me?**

You can continue your health coverage under COBRA if you participate in your employer’s group health plan and you experience a “qualifying event.” You can keep your health plan benefits going for yourself individually and for any of your family members who were covered at the time the qualifying event occurred. Once you’ve qualified for continued benefits, your employer can’t cut them off any earlier than the law allows. If your employer cancels its entire group health plan, though, your COBRA coverage will end as well.

**What counts as a “qualifying event”?**

Any one of the following events will trigger COBRA coverage.

- You leave your job (for some reason other than “gross misconduct”), or you cut back on the number of hours you work.
- You become divorced or legally separated. In this case, COBRA covers the spouse who would otherwise lose access to the group health plan.
- You become entitled to Medicare benefits.
- Your child no longer qualifies as your dependent under the group health plan.
- You are retired and bankruptcy proceedings cause you or your dependents to lose coverage.
- You die. Surviving family members can take advantage of COBRA in this case.
How do I take advantage of my COBRA coverage?

If you want to retain your group health plan coverage, you have to let your employer know this. You have 60 days from the date your group coverage ends to make up your mind. If you’re a covered family member, you might not be notified that your coverage has ended until several days after this has already happened. In that case, you’ve got 60 days from the date you were notified to decide whether or not to continue coverage.

Do I have to pay premiums under COBRA?

You do have to pay premiums for your continued coverage. How much you pay is determined by the regular group premiums charged to your employer by your health plan. You and any covered family members can be required to pay up to 102% of the group premium for the coverage you select. After 18 months, this can go up to 150% of the regular premium, but only for disabled individuals. You can pay these premiums in monthly installments. Your first payment can’t legally come due any earlier than 45 days after you decide to continue coverage.

KNOW YOUR RIGHTS—Beginning February 17, 2009, employees who lose their job can get a discounted COBRA premium rate of 35% of their normal premium payment for up to nine months. If you lost your job between September 1, 2008 and December 31, 2009, your employer will send you a notice explaining this new discount and how you can choose COBRA coverage.

What are my responsibilities under COBRA?

When you first join a group health plan, your employer has to give you written notice of your right to continue coverage under COBRA. You have to notify your health plan administrator within 60 days if your qualifying event is a divorce, a legal separation, or a child’s loss of dependent status. If your COBRA coverage is triggered by your leaving your job or cutting back on working hours, and a covered family member coincidentally becomes disabled at this same time, the plan administrator needs to be told about that person’s disabled status within 60 days. (This status will affect the premiums paid by that particular family member.) This individual also has to let the administrator know within 30 days if he or she is declared to be no longer disabled.

Educational Assistance Benefits

If you’re interested in taking educational courses of some kind, check to see if your employer offers educational assistance to employees. You might be able to get your employer to pay for certain types of courses you attend.
Courses not related to your job. Some employers offer educational assistance for courses not related to employees’ jobs. If your employer agrees to pay for such courses, you should know that up to $5,250 per year of this assistance is totally tax free. Employer payments of more than $5,250 are subject to federal income tax, social security tax, Medicare tax, and even federal unemployment tax. These rules also apply to graduate-level courses.

Courses related to your job. If your employer pays for you to take courses related to your work, the amount paid usually isn’t included in your taxable income.

Adoption Assistance Benefits

Some employers offer adoption assistance programs. If your employer is one of them, and you want to adopt a child, let your employer know. Up to $12,150 per child in employer assistance is free from federal income tax in 2009. (These payments are subject to social security and Medicare taxes, though.) This money can be used for “reasonable and necessary” adoption expenses. These include adoption fees, court costs, attorney’s fees, and traveling expenses (including money spent for food and lodging), as long as these expenses are directly related to the adoption. The individual you’re adopting has to be under 18, or unable to take care of himself or herself.

You can’t claim a tax credit for any adoption expenses that have been paid for by your employer. If you’ve got expenses that go beyond the assistance your employer offered, though, these can be claimed as a tax credit on your income tax return. You might be able to claim a credit as high as $12,150, and at the same time exclude up to another $12,150 from your income. If you claim both a credit and an exclusion, they can’t both be for the same expense.

Unemployment Insurance Benefits

If you lose your job, you might be entitled to unemployment insurance benefits. These are intended to provide you with some income while you look for other work. This section will answer some of your questions about whether or not you can get unemployment benefits, how long you can collect them, and how much your benefits will be worth. For more details about how to apply for unemployment benefits, call or visit your local unemployment office.

Am I eligible for unemployment benefits?

To receive benefits, you have to meet the requirements listed below.

- You have to have worked for a certain minimum amount of time, and earned a certain minimum amount of wages, in the recent past.
• You have to be involuntarily unemployed for reasons other than misconduct at work.
• You have to file a claim for benefits and register for work with your state’s unemployment office.
• You’ve got to be physically and mentally ready and able to work.
• You have to be actively looking for work, and available to go to work if you’re asked to. This requirement applies unless you’re going through job training or serving on a jury.
• If you’re unemployed as a result of a labor dispute, you can’t get benefits unless the dispute involves a lockout.
• You have to be honest when you apply for benefits.

How long can I collect benefits?
You can generally collect unemployment benefits for up to 26 weeks per “benefit year.” Your benefit year begins on the day you file a claim for benefits. If you have a part-time job, the number of weeks you can collect benefits might be extended, though your total benefits won’t change. (Since your part-time job brings in some income, each of your weekly unemployment checks will be smaller than otherwise. As a result, it will take you longer to collect your total benefits.) During periods of high unemployment, the federal government might grant an emergency extension of your benefits. Once you’ve received all of your benefits for the year, you can’t file a new claim until your next benefit year arrives.

How is my benefit amount calculated?
The amount of unemployment benefits you’ll receive depends on two factors: how much you earned during your “base period,” and your state’s formula for determining benefits. To figure out your base period, count back over the last five complete calendar quarters that passed before you filed for benefits. (Calendar quarters are three-month units of time, split up as follows: first quarter, January – March; second quarter, April – June; third quarter, July – September; and fourth quarter, October – December.) Your base period is the first four of those quarters.

Suppose, for example, that you were laid off on February 13, 2009, and filed a claim one week later. The last five complete calendar quarters that passed before you filed your claim run from October 1, 2007 to December 31, 2008. The first four of those quarters, running from October 1, 2007 to September 30, 2008, are your base period.

Your weekly benefit amount will be either a fraction of the wages you earned during the highest-paid quarter of your base period, or it will be a percentage of your average weekly wage during a certain part of your base period. Your
total unemployment benefits per year are limited to 26 times the weekly benefit amount, or to a fraction of your total base period wages.

**Do part-time employees get benefits?**

If you’re a laid-off part-time employee, you’re entitled to benefits. You can also receive unemployment benefits if your hours at work have been reduced, as long as you’re not earning more than the weekly benefit amount. Any part-time wages you earn while receiving benefits will be subtracted from your weekly benefit checks. Some states allow work-sharing plans. Under these plans, employers can reduce their employees’ hours or days of work, instead of laying off some of their workers. These employees keep their jobs and collect unemployment benefits for the time not worked.

*Other payments can lower or delay your benefits.* If your employer provides you with certain types of payments when you’re laid off, your unemployment benefits could be delayed until these payments stop. These payments include holiday pay, vacation pay, dismissal or severance pay, and any money given to you by your employer to make up for not warning you in advance about your layoff. You have to report these payments when you apply for benefits.

“Sorry, but ‘hangin’ with the dudes’ does not qualify as managerial experience.”
“America Works Because We’re Working For America”®
CHAPTER 7: “AMERICA WORKS BECAUSE WE’RE WORKING FOR AMERICA”®

This 2009 edition of APA’s popular handbook, Your Paycheck, is an outgrowth of National Payroll Week®. Founded by the American Payroll Association in 1996, National Payroll Week celebrates the payroll withholding system and its contributions to keeping America moving forward. “America Works Because We’re Working For America,” is more than a slogan for National Payroll Week: about 65% of the gross federal revenues of the United States, or $1.5 trillion, are collected through the payroll withholding system.

These federal revenues help fund vital activities, including public education, national defense, interstate highways, national parks, health and human services initiatives, and social security programs crucial to the safety and well-being of everyone in America.

Payroll Professionals annually process paychecks for more than 150 million workers, including more than 7 million young men and women between the ages of 16 and 19 who are receiving their first paychecks. Payroll Professionals ensure that America’s workers receive their paychecks on time and that those paychecks are accurate, including all necessary and voluntary withholding deductions.

No matter how large or small the organization is that you work for, it is in your best interest to get to know the Payroll Professionals responsible for preparing your paycheck. They will be happy to assist you in any way they can, and can answer many questions that may arise regarding your paycheck and the deductions withheld from it.

For more information relating to payroll issues, such as how to check your Form W-2, and links to government agencies and organizations affiliated with payroll issues, please visit

www.nationalpayrollweek.com

and remember, “America Works Because We’re Working For America,” not only during National Payroll Week, but 365 days a year!
# INDEX

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption assistance</td>
<td>68</td>
</tr>
<tr>
<td>Advance Earned Income Credit (AEIC)</td>
<td>61</td>
</tr>
<tr>
<td>After-tax deduction</td>
<td>24, 36, 41, 44-53</td>
</tr>
<tr>
<td>Aggregate withholding method</td>
<td>28</td>
</tr>
<tr>
<td>Awards</td>
<td>28</td>
</tr>
<tr>
<td>Back pay awards</td>
<td>19, 28</td>
</tr>
<tr>
<td>Bankruptcy orders</td>
<td>49</td>
</tr>
<tr>
<td>Base period</td>
<td>69</td>
</tr>
<tr>
<td>Bonuses</td>
<td>19, 28</td>
</tr>
<tr>
<td>Bicycle commuting benefits</td>
<td>40</td>
</tr>
<tr>
<td>Cafeteria plan</td>
<td>34, 36-38</td>
</tr>
<tr>
<td>Catch-up contributions</td>
<td>35, 36, 40</td>
</tr>
<tr>
<td>Centers for Medicare and Medicaid Services</td>
<td>31</td>
</tr>
<tr>
<td>Changing your name</td>
<td>3, 10</td>
</tr>
<tr>
<td>Charitable contributions</td>
<td>52-53</td>
</tr>
<tr>
<td>Child support withholding orders</td>
<td>46, 47, 49</td>
</tr>
<tr>
<td>Child Tax Credit</td>
<td>7</td>
</tr>
<tr>
<td>COBRA</td>
<td>66-67</td>
</tr>
<tr>
<td>Commissions</td>
<td>19, 28</td>
</tr>
<tr>
<td>Credit union deductions</td>
<td>51</td>
</tr>
<tr>
<td>Creditor garnishments</td>
<td>47-48</td>
</tr>
<tr>
<td>Dependent care</td>
<td>38</td>
</tr>
<tr>
<td>Direct deposit</td>
<td>14, 15</td>
</tr>
<tr>
<td>Disability insurance</td>
<td>32</td>
</tr>
<tr>
<td>Docking pay</td>
<td>17</td>
</tr>
<tr>
<td>Earned Income Credit (EIC)</td>
<td>59-61</td>
</tr>
<tr>
<td>Educational assistance</td>
<td>67</td>
</tr>
<tr>
<td>Employment taxes</td>
<td>24, 29-31, 59</td>
</tr>
<tr>
<td>Exempt employee</td>
<td>16, 17</td>
</tr>
<tr>
<td>Fair Labor Standards Act (FLSA)</td>
<td>16</td>
</tr>
<tr>
<td>Family and Medical Leave Act (FMLA)</td>
<td>17, 63-65</td>
</tr>
<tr>
<td>FICA (Federal Insurance Contributions Act)</td>
<td>24, 29</td>
</tr>
<tr>
<td>Final paycheck</td>
<td>15</td>
</tr>
<tr>
<td>Flat withholding rate</td>
<td>28</td>
</tr>
<tr>
<td>Flexible spending accounts</td>
<td>38</td>
</tr>
<tr>
<td>Form I-9, Employment Eligibility Verification</td>
<td>2-6</td>
</tr>
<tr>
<td>Form SS-5, Application for a Social Security Card</td>
<td>3, 62</td>
</tr>
<tr>
<td>Form SSA-7004, Request for Earnings and Benefit Estimate Statement</td>
<td>62</td>
</tr>
<tr>
<td>Form W-2, Wage and Tax Statement</td>
<td>56-59, 61, 72</td>
</tr>
</tbody>
</table>
### Your Paycheck

#### Topic | Page Numbers
---|---
Form W-4, Employee’s Withholding Allowance Certificate | . . . . . . 2, 6-12, 25, 56, 60
Form W-5, Earned Income Credit Advance Payment Certificate | ................. 61
Form 668-W, Notice of Levy on Wages, Salary and Other Income | ................. 45
401(k) plan | ........................................... 34, 35, 58, 59
403(b) plan | ........................................... 35-36
457(b) plan | ........................................... 36
Green card | ........................................... 8
Gross pay | ........................................... 18, 24, 25
Health coverage continuation | ........................................... 67
Health Savings Account (HSA) | ........................................... 39, 40
Identity theft | ........................................... 2, 3
Income tax withholding | ........................................... 6, 8, 10, 24, 62, 67
Internal Revenue Service (IRS) | ........................................... 2, 56
Involuntary deduction | ........................................... 44
Jury duty | ........................................... 17
Medical savings account (MSA) | ........................................... 34, 38, 39
Medicare tax | ........................................... 24, 29-31, 59, 62, 67
Minimum wage | ........................................... 16, 18—20, 48
National Payroll Week (NPW) | ........................................... 72
Net pay | ........................................... 24
Noncash wages | ........................................... 18, 19
Nonexempt employee | ........................................... 16-18, 21
Nonresident alien | ........................................... 8
Notice 797, Possible Federal Tax Refund Due to the Earned Income Credit | ........................................... 61
On-call pay | ........................................... 19
Overtime pay | ........................................... 16, 21, 22, 28
Parking | ........................................... 40
Pay frequency | ........................................... 14
Paycards | ........................................... 14
Payment methods | ........................................... 14
Percentage method | ........................................... 25, 27, 28
Pre-tax deduction | ........................................... 24, 34, 36, 37, 40, 41
Qualifying event | ........................................... 66
Regular rate of pay | ........................................... 19
Right to work in U.S. | ........................................... 3-6
Salary basis | ........................................... 17
Serious health condition | ........................................... 65
Service charges | ........................................... 20
Severance pay | ........................................... 28
Shift premiums | ........................................... 19
SIMPLE plan | ........................................... 35
Social Security Administration (SSA) | ........................................... 2, 3, 56, 58, 62
<table>
<thead>
<tr>
<th>Topic</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security benefits</td>
<td>31, 61</td>
</tr>
<tr>
<td>Social security card</td>
<td>2</td>
</tr>
<tr>
<td>Social security number (SSN)</td>
<td>2, 3, 62</td>
</tr>
<tr>
<td>Social Security Statement (SSS)</td>
<td>61</td>
</tr>
<tr>
<td>Social security tax</td>
<td>24, 29-31, 59, 62, 67</td>
</tr>
<tr>
<td>Social security wage limit</td>
<td>30</td>
</tr>
<tr>
<td>State and local government employees</td>
<td>17</td>
</tr>
<tr>
<td>State employee withholding allowance certificates</td>
<td>11</td>
</tr>
<tr>
<td>Student loans</td>
<td>50</td>
</tr>
<tr>
<td>Supplemental wages</td>
<td>28, 29</td>
</tr>
<tr>
<td>Take-home pay</td>
<td>18</td>
</tr>
<tr>
<td>Tax-deferred retirement plans</td>
<td>34, 45</td>
</tr>
<tr>
<td>Tax levy</td>
<td>44-47, 49</td>
</tr>
<tr>
<td>Tip credit</td>
<td>20</td>
</tr>
<tr>
<td>Tipped employee</td>
<td>20</td>
</tr>
<tr>
<td>Tips</td>
<td>20-21, 28</td>
</tr>
<tr>
<td>Transit passes</td>
<td>40</td>
</tr>
<tr>
<td>Transportation fringe benefits</td>
<td>40</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>32, 68-70</td>
</tr>
<tr>
<td>Union dues</td>
<td>51</td>
</tr>
<tr>
<td>U.S. Savings Bonds</td>
<td>50, 52</td>
</tr>
<tr>
<td>Vanpool</td>
<td>40</td>
</tr>
<tr>
<td>Voluntary deduction</td>
<td>44, 50</td>
</tr>
<tr>
<td>Wage assignments</td>
<td>50</td>
</tr>
<tr>
<td>Wage-bracket method</td>
<td>25, 26</td>
</tr>
<tr>
<td>White collar employee</td>
<td>16</td>
</tr>
<tr>
<td>Withholding allowance</td>
<td>6, 7, 25</td>
</tr>
<tr>
<td>Workers’ compensation insurance</td>
<td>63</td>
</tr>
<tr>
<td>Workweek</td>
<td>19, 22</td>
</tr>
</tbody>
</table>
To Order Your Paycheck....

Take advantage of APA’s special savings on bulk orders of the printed text and give YOUR PAYCHECK to each of your employees!

**Number of Copies** | **APA Member or Colleague** | **Non-Member**
--- | --- | ---
Order 1 - 4 books | $8.95 each | $9.95 each
Order 5 - 9 books | $7.95 each | $8.95 each
Order 10 - 20 books | $6.95 each | $7.95 each
Order 21 - 40 books | $6.45 each | $7.45 each
Order 41 - 99 books | $5.95 each | $6.95 each
Order 100 - 299 books | $4.95 each | $5.95 each
Order 300 or more books | $2.95 each | $3.95 each

To qualify for these exceptional savings, all books must be ordered by one person and shipped to one address. Or order the PDF version of *Your Paycheck* to load on your organization’s Intranet for easy employee access. Use the form below to place orders. Printed text or PDF orders paid by credit card may be faxed to (210) 224-6038.

- Yes! I would like to order *Your Paycheck.*

<table>
<thead>
<tr>
<th><strong>Prices</strong></th>
<th><strong>Text</strong></th>
<th><strong>PDF</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>APA Member</td>
<td>$8.95</td>
<td>$520</td>
</tr>
<tr>
<td>Colleague of an APA Member</td>
<td>$8.95</td>
<td>$565</td>
</tr>
<tr>
<td>Non-Member</td>
<td>$9.95</td>
<td>$610</td>
</tr>
</tbody>
</table>

- I am an APA Member. Membership ID#______________________________
- I am a colleague of an APA Member at the same street address. Colleague’s ID#______________________________
- I would like to join APA at this time. Fees include: One-year membership dues* of $195, plus enrollment fee of $35 for a total of $230.
- I am not a member of APA, but would like to order *Your Paycheck.*

**PLEASE COMPLETE THE FOLLOWING INFORMATION**

Name:  
Title:  
Organization:  
Street Address:  
City:  
State/Province:  
Country:  
Zip + 4-Digit /Postal Code:  
Telephone:  
Fax:  
E-mail:  

New members only: 
Birth Date:(month/day/year)  

Send me _______ copies x $________  
Product Subtotal  
Shipping & handling: U.S. add 7% of product subtotal, outside U.S. add 25% of product subtotal  
Taxable Subtotal  
Nevada corporations/residents add 7.75% sales tax  
New York corporations/residents add 9.5% sales tax  
Texas corporations/residents add 8.125% sales tax  
One-year APA Membership (if applicable)  

**TOTAL AMOUNT PAID**  

**PAYMENT MUST ACCOMPANY ORDER FORM** - order online at www.americanpayroll.org

If you are paying by credit card using this form, please fill out the following and fax to (210) 224-6038. I authorize the American Payroll Institute, Inc. to charge my:

- American Express
- Discover
- MasterCard
- Visa

Name on credit card:  
Signature of cardholder:  
Card # :  
Expiration date:  

Or make check payable and mail to:

American Payroll Institute, Inc. c/o American Payroll Association  
660 North Main Avenue, Suite 100 • San Antonio, TX 78205-1217 • (210) 224-6406

Cancellation, Return, and Refund Policies for APA Products:

The American Payroll Association (APA) does not sell products on a trial basis. Orders are processed immediately upon receipt of payment. Should you order a product in advance of the production date, you may submit a written request for a full refund provided the APA has not already shipped the product. APA will accept the returns of unopened products in salable condition. Refunds equal to the cost of the product less $15.00 shipping and administrative fees will be issued upon receipt of the returned item(s). Authorization for returns must be obtained prior to returning any item by calling APA at (210) 224-6406. Return shipment must be at your expense. Prices and product availability are subject to change without notice. All specials and promotions are limited by availability. Payment must be received with the order. Please allow four - six weeks for delivery.

* Membership dues subject to change without notice and are nonrefundable.
Your Paycheck is designed to help workers understand the many complex aspects of their paychecks, including various withholding amounts, and the laws that apply to this process. This is especially helpful to people entering the workforce for the first time or those returning to work. Issues such as payroll deductions, direct deposit, as well as laws affecting overtime, employee rights and responsibilities, and much more, are comprehensively covered in easy-to-read language. Your Paycheck is an invaluable guide to getting the most out of your paycheck and taking advantage of the many money-saving options available through payroll deductions.

For more information related to your paycheck, including IRS Forms W-2 and W-4, visit www.nationalpayrollweek.com

The American Payroll Association (APA) is a non-profit professional association representing more than 23,000 payroll, human resources, benefits and finance professionals on issues relating to payroll, wage and employment tax withholding, reporting, and depositing. In addition to providing more than 300 educational conferences and classes annually, and publishing an extensive payroll compliance library, APA works to increase the general public’s understanding of issues relating to payroll.

YOUR PAYCHECK Is Published By
The American Payroll Association

The Nation’s Leader in Payroll Education!

www.americanpayroll.org

$9.95