Let's Talk TAXES

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Your pay stub is a source of valuable information



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



Understanding your PAYCHECK



Gross Pay

The total amount you earn before withholdings

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



Net Pay

Your take-home pay

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



Withholdings

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

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



Deductions

Other, voluntary amounts that are taken from your paycheck

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

Your pay stub may look a little different

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



Let's talk WITHHOLDINGS

FEDERAL TAXES

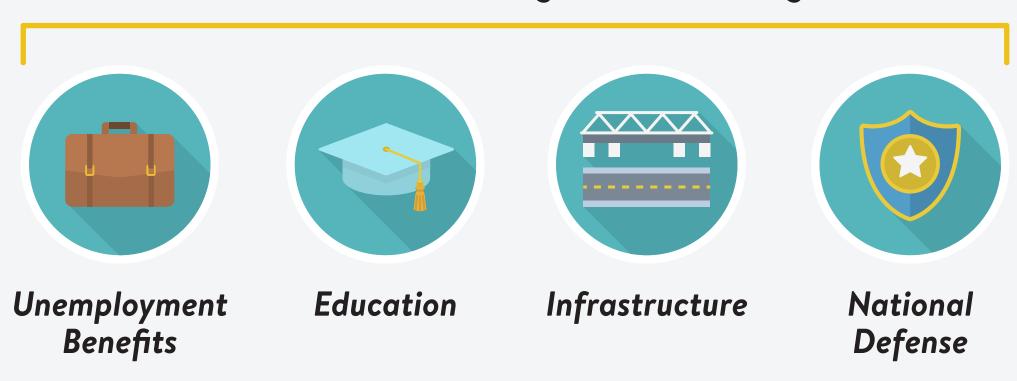


Federal income tax is automatically deducted from your paycheck

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

FEDERAL TAXES

Your federal tax dollars go toward things like:



FEDERAL TAXES



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

STATE AND LOCAL TAXES



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

STATE AND LOCAL TAXES

Your state and local tax dollars go toward things like:



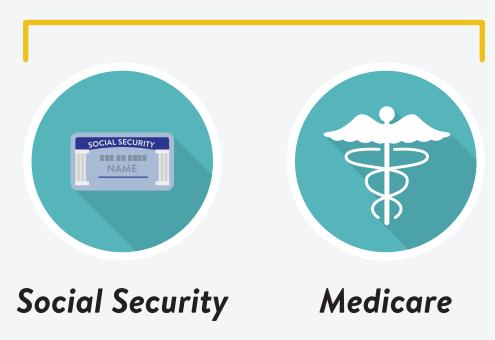
FICA



Taxes from the Federal Insurance
Contributions Act (FICA)
provide support for disability and
retirement as help with medical
costs for seniors and those on
Social Security

FICA

FICA taxes are used for:



Let's talk VOLUNTARY DEDUCTIONS

VOLUNTARY DEDUCTIONS

RETIREMENT SAVINGS

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



EMPLOYER-PROVIDED HEALTH COVERAGE

This includes premiums for extended medical, dental or vision plans



LIFE INSURANCE

Insurance coverage premiums may also be deducted



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Sources: IRS, Duke University, The Balance

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