

Understanding Pay Stubs



A receipt called a **pay stub** is attached to most paychecks. It shows what deductions have been made. Use the information from John's and Paul's pay stubs to answer the questions below.

John

John is a single man living in California. He earns \$3,000 twice a month.

Bimonthly Income (on the 1st and 15th of each month)—24 pay periods per year	\$3,000
Federal Income Tax	(\$545.00)
Social Security	(\$126.00)
Medicare	(\$44.00)
State Income Tax	(\$91.00)
Local Income Tax	(\$45.00)
Employee Health Plan	(\$40)
Employee Vision Plan	(\$3)
Employee Dental Plan	(\$5)
Life Insurance	(\$2)
Retirement Plan (401K) (6% contribution)	(\$180)
Employee Take-Home Pay Per Bimonthly Paycheck	\$1,919

Paul

Paul is a married man living in California with his wife and two kids. He earns \$3,000 twice a month.

Bimonthly Income (on the 1st and 15th of each month)—24 pay periods per year	\$3,000
Federal Income Tax	(\$286.00)
Social Security	(\$126.00)
Medicare	(\$44.00)
State Income Tax	(\$109.00)
Local Income Tax	(\$45.00)
Employee Health Plan	(\$109)
Employee Vision Plan	(\$9)
Employee Dental Plan	(\$17)
Life Insurance	(\$4)
Retirement Plan (401K) (8% contribution)	(\$240)
Employee Take-Home Pay Per Bimonthly Paycheck	\$2,011

- Who makes the most money? _____
- Who has the most federal income tax withheld? _____
- What are the differences between Paul's life and John's? _____

- What conclusions can you draw based on the difference in the amount of taxes each man withholds? _____

- On a separate sheet of paper, anticipate how the choices you made on Student Worksheet 1 will affect your tax withholding.