

 **BUILDING BLOCKS STUDENT WORKSHEET**

Understanding taxes and your paycheck

When you get your paycheck, you might ask, “Where did all my money go?” Understanding why and how taxes and other items are deducted from a worker’s paycheck is an important step toward gaining financial knowledge.

Instructions

1. Determine whether each statement is true (T) or false (F).
2. Provide an example or explanation with each answer.
3. If you’re not sure, you can research the answers on the following webpages:
 - The consumer.gov webpage on taxes: <https://www.consumer.gov/articles/1025-your-paycheck#!what-it-is>
 - Review all three tabs: “What it is,” “What to know,” and “What to do.”
 - The USA.gov webpage on state and local taxes: <https://www.usa.gov/state-taxes>
4. Answer the reflection question.

True or false?

1. People often confuse a paycheck and a pay stub. A pay stub is what you use to get your money.

True (T) False (F)

Example or explanation for your choice

2. People often confuse gross income and net income. Net income is what you actually take home after deductions.

True (T) False (F)

Example or explanation for your choice

3. Federal law requires employers to deduct money for federal income taxes and FICA taxes (Social Security and Medicare taxes).

True (T) False (F)

Example or explanation for your choice

4. FICA is another name for Federal Income Tax.

True (T) False (F)

Example or explanation for your choice

5. Your withholdings selections allow you to choose how much money your employer takes out of your paycheck for taxes.

True (T) False (F)

Example or explanation for your choice

6. Sales taxes are deducted from your paycheck.

True (T) False (F)

Example or explanation for your choice

Reflection question

In addition to taxes, what are some other items that often are deducted from paychecks?