Name: _____ Date: _____ Class: _____

✎ **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 below is true or false.

2 Provide an example or explanation with each answer

- If you're not sure, you can research the answers using the following resources:

  ▪ The Federal Trade Commission's webpage on paychecks: https://consumer.gov/managing-your-money/your-paycheck#what-it-is

    - Review all three tabs: "What it is," "What to know," and "What to do."

  ▪ The "Taxes: Understanding the basics" handout.

3 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 receive after deductions.

☐ True (T)   ☐ False (F)

Example or explanation for your choice

3. FICA is another name for Federal Income Tax.

☐ True (T)   ☐ False (F)

Example or explanation for your choice

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

☐ 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 income 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

7. Reflection question

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