What Happened to My Paycheck?

Pre-reading

Questions:
- Is your paycheck usually less than you expect?
- Why is money deducted from your paycheck?
- Where does that money go?

Definitions:
- Eligible – qualified for something; having what is required to

Reading

Ben was excited about his new job. He had been hired at Super Wal-Mart. He was going to be a cashier. His starting wage was $6.00 an hour. He figured that working 30 hours a week would earn him $180.00. That would mean $360.00 every two weeks. He was surprised when he got his first paycheck. He was not taking home $360.00. He was only taking home $288.00! What happened to all of his money? Where did it go?

Employers take out certain payroll deductions. They are subtracted from your gross income.

Gross income is the total amount of income from your wages before payroll deductions. It’s the number of hours worked times the hourly rate of pay. Ben’s gross income was $360.00 a pay period.

Net income is what you are left with after the payroll deductions have been removed. Net income is also called take-home pay. This is the amount you receive when you cash your check. It’s the amount you have to spend. Ben’s net income was $288.00.

What are these payroll deductions? Where does the money go? Taxes are the biggest portion.

Taxes are fees placed on income, property, or goods to support government programs. These programs may be at a local, state, or federal level. The law says income must be taxed.

Taxes are collected every pay period. There are four common ones: federal income tax, state income tax, Social Security tax, and Medicare tax. These taxes pay for many services. Federal and state tax dollars pay for road building and repair. They pay for our armed services. They also pay for schools, libraries, and state and national parks.

Social Security tax provides retirement money for the elderly, as well as support to survivors and the disabled. Medicare taxes provide for the medical insurance needs of eligible persons. These two taxes are known as FICA. What is it? FICA is the Federal Insurance Contributions Act. It was established to pay for retirement, medical, and other social insurance needs.

Ben wished his take-home pay was more. However, the law requires his employer to take out payroll deductions.
Understanding
1. What does the word **deduct** mean? ____________________________________________

2. What is Ben’s gross income? ____________________________________________________

3. How are tax dollars used? ________________________________________________________

4. What is **net income**? __________________________________________________________

5. Why do employers remove money from our paychecks? ______________________________

6. What is FICA? What does it do? __________________________________________________

7. How much was deducted from Ben’s paycheck? ______________________________________

8. Where did that money go? _______________________________________________________

Writing
Option A: Summarize the reading in your own words. What new things did you learn?

Option B: What is deducted from your paycheck? How do you feel about having these monies deducted?