

*We*  
**JUST GOT**  
**PAID!**

# 2023 **MONEY MATTERS**

## **TEACHER HANDBOOK**

Excerpted from the Council for Economic Education's Financial Fitness for Life<sup>®</sup> program.

Reprinted by Special Permission from the Council for Economic Education for use in conjunction with PayrollOrg's 2023 Money Matters National Education Day.

To learn more, please visit [www.councilforeconed.org](http://www.councilforeconed.org).



# Teacher Guide

## Federal Government Takes a Cut

### FITNESS FOCUS

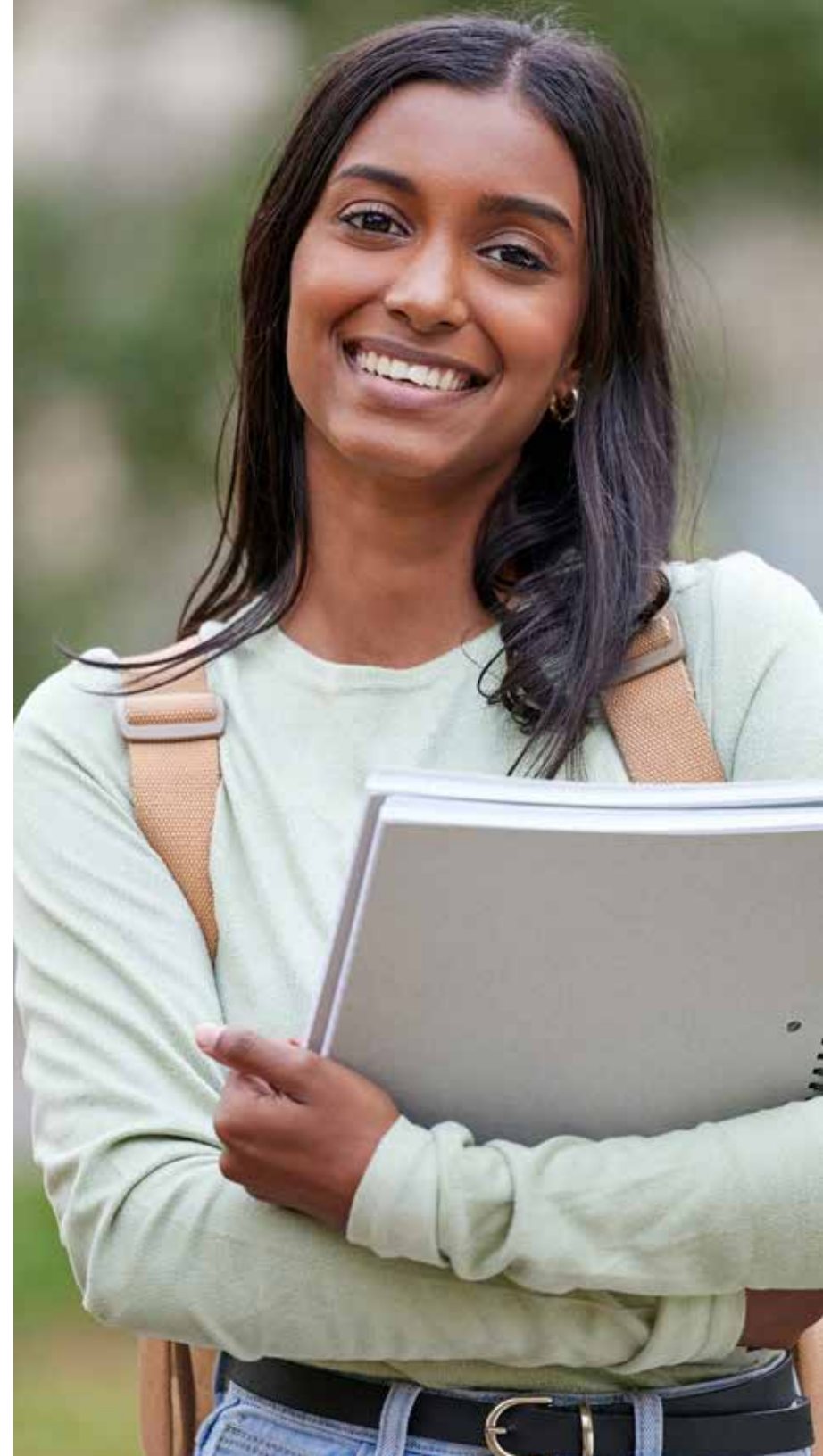
#### LESSON DESCRIPTION

People are sometimes surprised to learn the pay they earn is not the same as the pay they take home. This lesson introduces students to gross and net pay. They'll learn how to fill out Form W-4, compute simple deductions, use tax tables, determine the take-home pay for two employees, and decide which payment method is appropriate for them.

#### STUDENT OBJECTIVES

At the end of this lesson the student will be able to:

- ✓ Correctly fill out Form W-4.
- ✓ Recognize the types of benefits provided by employers.
- ✓ Make distinctions between required and optional deductions.
- ✓ Compute net pay using payroll deductions and tax tables.
- ✓ Differentiate electronic payment methods, like direct deposit and paycards.



# Workout

## Warm Up

Tell the class the pay they earn is not the same as the pay they take home. Explain the purpose of this lesson is to help the students understand the information used in calculating take-home pay.

## EXERCISE

- A. **First Day of Work:** Tell the students to imagine it's their first day of work. Explain the Form W-4, its purpose, how to complete it, that high school and college students are not automatically exempt from withholding, and that most states have their own employee withholding certificates to complete.
- B. **Payday:** To explain the difference between gross and net pay, ask the students to imagine they have just agreed to start working a part-time job that involves working 20 hours per week at \$11.00 per hour. How much will that first week's paycheck equal? (Some students might fall for your trick question and say that the first paycheck should be \$220. Explain why \$220 is not correct.)
- C. Explain the amount of money that appears on an employee's paycheck is not the total amount of money earned. Several deductions are taken out of paychecks. Most of these deductions are for taxes. That is how Uncle Sam takes his biggest bite. Have the students refer to the Glossary on pages 21–22 of the Student Workbook to clarify any difficult terms.
- D. Direct the students' attention to Exercise 1 on page 7 of the Student Workbook, Filling Out Form W-4. Remind that there are 5 steps to completing Form W-4. Steps 1 and 5 are mandatory. Steps 2, 3, and 4 should be completed if they apply to the student.
- E. Show Visual 1, page 5 of the Teacher Guide, and discuss the answers with the students.

## TIME REQUIRED 1 CLASS PERIOD.



- F. Have students answer the questions on page 10 of the Student Workbook. Discuss the answers.
- 1. What is gross pay?**  
*(Gross pay is the total amount of money earned before any deductions are made.)*
  - 2. What is net pay?**  
*(Net pay is the amount on your paycheck left after all deductions are taken out of the gross pay.)*
  - 3. True or False?**  
**The amount of your paycheck equals the total number of hours you worked times your rate of pay.**  
*(False. Mandatory and other deductions are taken out of your paycheck.)*
  - 4. Name two mandatory deductions.**  
*(Federal income tax, state income tax, local income tax, Social Security tax, Medicare tax.)*
  - 5. Name three other deductions.**  
*(Life insurance, disability insurance, medical insurance, dental insurance, retirement savings plan, contributions to charity.)*
- G. Direct the students' attention to Exercise 3 on page 11 in the Student Workbook, Calculating a Paycheck #1. Ask the students to read the background information, the information on the form, and the information in the Federal and State Tax tables on pages 13–14 in the Student Workbook to calculate the net pay.



# Workout

(continued from page 3)

H. Show Visual 2 on page 7 of the Teacher Guide, Key for Exercise 3, Calculating Paycheck #1, and discuss the answers with the students.

I. **Getting Paid:** Explain to the students there are two ways to receive their paycheck that won't damage the environment: direct deposit and payroll cards. For more information on banking fees and helpful questions to ask employers about paycards, reference pages 15–17 in the Student Workbook.

J. Have students answer the questions on page 18, using the chart below the questions, in the Student Workbook. Discuss the answers.

**1. Should Bobby ask to be paid differently if he opens a bank account while working for the coffee shop?**

*(Yes, he should request to be paid by direct deposit.)*

**2. Valerie just opened a bank account and started working for a local restaurant that offers paycards and direct deposit.**

**How should she ask to be paid?**

*(Direct deposit.)*

**3. Emily's company pays employees by direct deposit or paycards only. Emily doesn't have a bank account. How should she ask to be paid?**

*(Paycard.)*

K. Direct the students to Reference on pages 19–20 in the Student Workbook for information about the minimum wage, overtime pay, and restrictions for teens in the workforce.

## Other Training Equipment

### COOL DOWN

A. Direct the students' attention to Exercise 4 on page 12, Calculating a Paycheck #2. Ask the students to use the background information, information on the form, and the State and Federal

Tax tables to calculate take-home pay. Show Visual 3 on page 8 of the Teacher Guide, Key for Exercise 4, Calculating Paycheck #2, and discuss their answers.



# VISUAL 1

# FILLING OUT FORM W-4

## IMAGINE ARRIVING FOR YOUR FIRST DAY OF WORK AT A GOURMET COFFEE SHOP.

Along with other paperwork as you begin your job, you will fill out a Form W-4. This will help the payroll department of your employer figure out how much tax to take out of your paycheck.

## YOU ARE SINGLE, WITH ONLY ONE JOB.

There are 5 steps for an employee to complete on the form. Steps 1 and 5 are required. Steps 2, 3, and 4 are optional, but completing them will help ensure the employee's federal income tax withholding is accurate.

Form <b>W-4</b>		Employee's Withholding Certificate		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Give Form W-4 to your employer. Your withholding is subject to review by the IRS.		<b>2023</b>
<b>Step 1:</b> <b>Enter Personal Information</b>	(a) First name and middle initial	Last name		(b) Social security number
	Address			Does your name match the name on your social security card? If not, to ensure you get credit for your earnings, contact SSA at 800-772-1213 or go to <a href="http://www.ssa.gov">www.ssa.gov</a> .
	City or town, state, and ZIP code			
	(c) <input type="checkbox"/> Single or Married filing separately <input type="checkbox"/> Married filing jointly or Qualifying surviving spouse <input type="checkbox"/> Head of household (Check only if you're unmarried and pay more than half the costs of keeping up a home for yourself and a qualifying individual.)			
<b>Complete Steps 2-4 ONLY if they apply to you; otherwise, skip to Step 5.</b> See page 2 for more information on each step, who can claim exemption from withholding, other details, and privacy.				
<b>Step 2:</b> <b>Multiple Jobs or Spouse Works</b>	Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs. Do <b>only one</b> of the following. (a) Reserved for future use. (b) Use the Multiple Jobs Worksheet on page 3 and enter the result in Step 4(c) below; or (c) If there are only two jobs total, you may check this box. Do the same on Form W-4 for the other job. This option is generally more accurate than (b) if pay at the lower paying job is more than half of the pay at the higher paying job. Otherwise, (b) is more accurate <input type="checkbox"/> <b>TIP:</b> If you have self-employment income, see page 2.			
<b>Complete Steps 3-4(b) on Form W-4 for only ONE of these jobs.</b> Leave those steps blank for the other jobs. (Your withholding will be most accurate if you complete Steps 3-4(b) on the Form W-4 for the highest paying job.)				
<b>Step 3:</b> <b>Claim Dependent and Other Credits</b>	If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly): Multiply the number of qualifying children under age 17 by \$2,000 \$ _____ Multiply the number of other dependents by \$500 . . . . . \$ _____ Add the amounts above for qualifying children and other dependents. You may add to this the amount of any other credits. Enter the total here . . . . .		<b>3</b>	\$
<b>Step 4 (optional):</b> <b>Other Adjustments</b>	(a) <b>Other income (not from jobs).</b> If you want tax withheld for other income you expect this year that won't have withholding, enter the amount of other income here. This may include interest, dividends, and retirement income . . . . .		<b>4(a)</b>	\$
	(b) <b>Deductions.</b> If you expect to claim deductions other than the standard deduction and want to reduce your withholding, use the Deductions Worksheet on page 3 and enter the result here . . . . .		<b>4(b)</b>	\$
	(c) <b>Extra withholding.</b> Enter any additional tax you want withheld each pay period . .		<b>4(c)</b>	\$
<b>Step 5:</b> <b>Sign Here</b>	Under penalties of perjury, I declare that this certificate, to the best of my knowledge and belief, is true, correct, and complete.			
	Employee's signature (This form is not valid unless you sign it.)		Date	
<b>Employers Only</b>	Employer's name and address	First date of employment	Employer identification number (EIN)	

# WORKOUT

## QUESTIONS

1. What is gross pay? | ***Your total pay before any deductions are subtracted.***
2. What is net pay? | ***Actual amount of an employee's paycheck after deductions are subtracted.***
3. True or False? Your paycheck = Total hours worked x rate of pay. | ***False***
4. Name two mandatory deductions. | ***Any two of the following: Federal Income Tax, State Income Tax, Local Income Tax, Social Security Tax, Medicare Tax.***
5. Name three other deductions. | ***Any three of the following: Life insurance, Short- and long-term disability insurance, Medical insurance, Dental insurance, Retirement savings plan, Charity.***

# VISUAL 2

## KEY FOR EXERCISE 3, CALCULATING A PAYCHECK #1

### IMAGINE YOU ARE A NEW EMPLOYEE AT A GOURMET COFFEE SHOP

The coffee shop pays its employees each week. Your filing status is single with no adjustments on your Form W-4 (you make no entries in Steps 2, 3, or 4). You work 40 hours per week at \$11.00 per hour. Use the background information, the Federal and State Tax tables on the following pages, and information on the form below to calculate your net pay.

**Employee's name:** \_\_\_\_\_

**Pay period:**     Weekly     Biweekly     Semimonthly     Monthly

**Filing status:**     Single or Married filing separately     Married filing jointly     Head of Household or qualifying surviving spouse

### **GROSS PAY**

1. You work **40** hours at \$ **11.00** per hour = **\$440.00**

**Gross Pay = \$440.00**

### **DEDUCTIONS**

2. Federal Income Tax (See Federal Tax table on page 13.) **\$17.00**

3. State Income Tax (See State Tax table on page 14.) **\$16.00**

4. FICA: Social Security Tax (6.20% x gross pay) **\$27.28** (\$440 X .062)

5. FICA: Medicare Tax (1.45% x gross pay) **\$6.38** (\$440 X .0145)

6. **Total Deductions** (total lines 2 through 5) **\$66.66**

**Net Pay** (subtract line 6 from line 1) **\$373.34**

# VISUAL 3

## KEY FOR EXERCISE 4, CALCULATING A PAYCHECK #2

### IMAGINE YOU ARE A NEW ASSISTANT MANAGER AT A GOURMET COFFEE SHOP

The coffee shop pays its employees each week. Your filing status is single with no adjustments on your Form W-4 (you make no entries in Steps 2, 3, or 4). You work 40 hours per week at \$12.00 per hour. Use this background information, the Federal and State Tax tables on the following pages, and information on the form below to calculate your net pay.

**Employee's name:** \_\_\_\_\_

**Pay period:**  Weekly  Biweekly  Semimonthly  Monthly

**Filing status:**  Single or Married filing separately  Married filing jointly or qualifying surviving spouse  Head of Household

### GROSS PAY

1. You work 40 hours at \$ 12.00 per hour = \$480.00  
**Gross Pay = \$480.00**

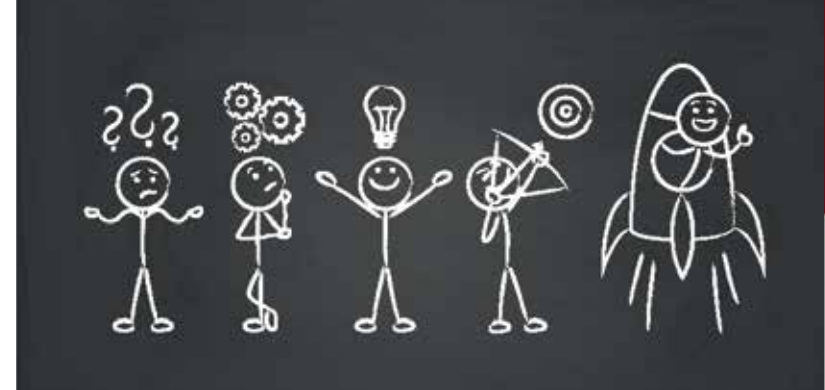
### DEDUCTIONS

2. Federal Income Tax (See Federal Tax table on page 13.) \$21.00
3. State Income Tax (See State Tax table on page 14.) \$18.00
4. FICA: Social Security Tax (6.20% x gross pay) \$29.76 (\$480 X .062)
5. FICA: Medicare Tax (1.45% x gross pay) \$6.96 (\$480 X .0145)
6. **Total Deductions** (total lines 2 through 5) \$75.72

**Net Pay** (subtract line 6 from line 1) \$404.28



# EXERCISE 5



## QUESTIONS

Using the chart below, decide how each employee should ask to be paid.

1. Should Bobby ask to be paid differently if he opens a bank account while working for the coffee shop? | **Yes. Bobby should ask to be paid by direct deposit.**
2. Valerie just opened a bank account and started working for a local restaurant that offers paycards and direct deposit. How should she ask to be paid? | **Valerie should ask to be paid by direct deposit.**
3. Emily's company pays employees by direct deposit or paycards only. Emily doesn't have a bank account. How should she ask to be paid? | **Emily should ask to be paid by paycard.**

Your company offers direct deposit only	+	You DO have a checking account	=	<b>Direct Deposit</b>
Your company offers direct deposit AND paycards	+	You do NOT have a checking account	=	<b>Paycards</b>

*We*  
**JUST GOT**  
**PAID!**



**2023**  
**MONEY**  
**MATTERS**  
**TEACHER**  
**HANDBOOK**

