

UNDERSTANDING YOUR PAYCHECK

Presented by
Office of Fellowship Training
Children's Hospital Boston

The background features several faint, concentric circles in a lighter shade of blue, scattered across the lower half of the slide, creating a subtle ripple effect.

Definition

➤ GROSS PAY

Your salary for a pay period before any deductions are taken

WHAT YOU SEE ON YOUR CHECK

- Gross Pay
- Federal Withholding = what is sent to the Federal government, by your employer, to pay for your income tax liability

What you see on your check (cont'd)

- Federal OASDI (FICA) = Your Social Security and Medicare taxes
- Your Social Security tax is 6.2% of your gross pay and the Medicare tax is 1.45%; your employer pays a matching amount.

Federal Taxes

- Everyone in the U. S. is responsible for sending a complete and accurate income tax statement, regardless of immigration status;
- April 15th of the following year is the deadline
- Not everyone has to pay taxes; it depends on your immigration status and the provisions of any existing treaties with your home country

Definition

Personal Exemption:

A dollar amount excluded from taxable income on one's income tax return. Most people have to indicate how many personal exemptions they will claim on the Form W-4 when they are hired

Federal Tax Form W - 4

----- Cut here and give Form W-4 to your employer. Keep the top part for your records. -----

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

OMB No. 1545-0074
2008

▶ **Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.**

1 Type or print your first name and middle initial.		Last name		2 Your social security number	
Home address (number and street or rural route)				3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.	
City or town, state, and ZIP code				4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ <input type="checkbox"/>	
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)					5
6 Additional amount, if any, you want withheld from each paycheck					6 \$
7 I claim exemption from withholding for 2008, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here ▶ 7					

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(Form is not valid unless you sign it) ▶

Date ▶

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional)	10 Employer identification number (EIN)
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For Privacy Act and Paperwork Reduction Act Notice, see page 2.

Cat. No. 10220Q

Form **W-4** (2008)

Definition

- Taxable Income
- This is your gross income reduced by your personal exemptions and deductions

Definition

- Tax Bracket
- The rate you pay on the “last dollar” you earn; your tax rate is usually less than that.
- The federal tax brackets are 10%, 15%, 25%, 28%, 33%, and 35%

Do You Know Your Bracket?

Federal 2008 Tax Rates

➤ Married Filing Jointly:

- 10%: \$0 - \$16,050
- 15%: \$16,050 - \$65,100
- 25%: \$65,100 - \$131,450
- 28%: \$131,450 - \$200,300
- 33%: \$200,300 - \$357,700
- 35%: \$357,700 and over

➤ Single Taxable Income:

- 10%: \$0 - \$8,025
- 15%: \$8,025 - \$32,550
- 25%: \$32,550 - \$78,850
- 28%: \$78,850 - \$164,550
- 33%: \$164,550 - \$357,700
- 35%: \$357,700 and over

EXAMPLE:

➤ If your taxable income (after deductions and exemptions) was \$50,000 in 2008 and you filed as Single than you would calculate your tax like this:

- $(\$8,025 - 0) \times .10$ \$802.50
- $(\$32,550 - \$8,025) \times .15$ \$3678.75
- $(\$50,000 - \$32,550) \times .25$ \$4,362.50

➤ TOTAL TAX: \$8,843.75

What you see on your check (cont'd)

- Massachusetts withholding = what is sent to the State of Massachusetts, by your employer, to pay for your income tax liability.
- The tax rate for Massachusetts is 5.5%

DEFINITION

➤ BENEFITS:

Programs offered by your employer in which you may be able to participate; you are eligible if you receive a paycheck from Children's Hospital Boston

Save Taxes on Pre Tax Dollars

- Some benefits offered can be paid with pretax dollars, such as your Medical Plan:
- How it works;
 - \$300 = Gross pay
 - \$30 = Medical Plan payment
 - \$270 = Pay subject to tax

Tax Saving Benefits

- Medical Plan
- Dental Plan
- Vision Plan
- Dependent Care Spending Account
- Health Care Reimbursement Account
- MBTA Monthly Pass and Parking Costs;
 - A portion of the cost of these may be paid with pre tax dollars

Good Web Sites

- www.irs.gov
- www.annualcreditreport.com
- www.mint.com
- www.yodlee.com