



Income

Lesson Three: Taxes and My Income

The idea of a successful career and a big paycheck is appealing. What you may not know is that your take-home pay will be reduced by **taxes** that are automatically withheld from your wages, salaries, and tips and paid to the Internal Revenue Service (IRS) and most state governments. The IRS enforces tax laws enacted by the U.S. Congress, which is responsible for the nation's tax system.

Most everyone who holds a job pays **income tax**. You, too, need to develop an understanding of taxes and be prepared to deal with their impact on income. Tax knowledge is an integral part of personal financial management.

In this lesson, you will learn about the three main sources of tax revenue: income, sales, and property. You will find that U.S. citizens and residents are required to file annual income tax forms and must pay any additional tax owed to the IRS or state government or apply for a refund if they have overpaid.

Finally, you will determine your net monthly income (NMI) using income tax and **Social Security** and **Medicare** deductions (also known as FICA, Federal Insurance Contributions Act).

As you complete your workbook activities, you also will become familiar with the terms **Gross Annual Income**, **Gross Monthly Income**, **Net Annual Income**, and **Net Monthly Income**.

Notes:

Vocabulary

Gross Annual Income (GAI)

Total pay or earnings made over a one-year period before any deductions have been taken.

Gross Monthly Income (GMI)

Total amount of earnings made over a month before any deductions (1/12 of GAI).

Income tax

A portion of one's personal income paid to a government.

Medicare

A social insurance program that extends health coverage to almost all Americans age 65 and over.

Net Annual Income (NAI)

Income amount remaining after a year's worth of deductions have been taken.

Net Monthly Income (NMI)

Amount of monthly income remaining after all deductions have been taken (sometimes referred to as take-home pay).

Social Security

A social insurance system that provides benefits to most Americans who are retired, sick, or too disabled to work, and to families of workers who have died.

Taxes

Required payments to a government.

What Are Taxes? Overview

If you earn \$10 per hour and work 40 hours a week, you'll have \$400 to spend, right? No. *Gross* income (the \$400) is different from *net* income. Net income is the amount you have left after you pay your taxes; it's what you actually have to spend.

Taxes are funds, or money, that local, state, and federal governments collect to pay their bills. Taxes, which are required, pay for the services government provides.

Income tax, sales tax, and property tax are the three main sources of tax revenue.

Many of these services are for things people could not afford individually, such as maintaining an army or building a highway system. The federal government (sometimes in partnership with states) uses tax money to pay for programs to help the country and its citizens.

What is federally supported?

- Social Security, Medicare, and other retirement programs.
- National defense, veterans, and foreign affairs.
- Interest payments on the national debt.
- Physical, community, and human development programs (natural resources, environment, transportation, job training, and education programs).
- Social programs (Medicaid, food stamps, health programs, unemployment compensation, and assisted housing).
- Law enforcement and government administration (federal prisons, FBI, CIA, and the general costs of the federal government, including the collection of taxes).

What is state or city supported?

- Public schools
- Local libraries
- Police, jails, courts
- Local parks and recreation
- Social services
- Firefighters
- Elections
- Mass transportation

Is it preferable to pay for these items with tax dollars or be charged as each is used? What do you think?

What do you think?



What Are Taxes? Overview

Income Tax

An income tax is a tax on earnings from wages, salaries, tips, interest, rents, and capital gains and dividends from stocks. It is the largest source of revenue for the federal government. Each year on or before April 15, American citizens calculate what they owe in taxes and pay an amount due (beyond what was withheld from their pay) or request a refund.

Federal income tax is based on the income of individuals or businesses. This is called progressive taxation: The higher the income, the greater the percentage paid.

The IRS relies on citizens to be honest and responsible about paying their income taxes. This is called voluntary compliance.

Income taxes are figured on a pay-as-you-earn basis; the tax is an estimated amount. It is an employer's responsibility to withhold tax from wages and deposit it with the IRS.

Sales Tax

Sales taxes are a source of revenue for most state governments. Each state decides its own sales tax. Counties and cities also may charge a sales tax. Some items are taxed, and some are not. Items not taxed are called tax-exempt.

Some taxable items:

- Household items
- Restaurant food
- _____
- _____
- _____
- _____
- _____
- _____

Nontaxable items:

- Groceries*
- Medicine
- Medical services
- Insurance

*Not all states exempt groceries from sales taxes. Additionally, the other items listed may or may not be exempt in some states. What is taxable in one state may not be taxable in another.

Property Tax

Property taxes are based on a property's value. This includes homes, cars, commercial buildings, and factories. Property value is determined by local governments. Property taxes are often the primary source of local government income.

Local and state governments use their sales and property tax revenues to pay for services and facilities, such as:

- Public schools and libraries
- Streets and streetlights
- Police, jails, courts
- _____
- _____
- _____

What do you think?

Fill in the blanks



Jason's Paycheck

Jason has landed a summer job working as a paid intern for a medical research company. His paycheck shows the deductions from his pay. More than likely, his paycheck will be automatically deposited into his checking account through direct deposit. See Jason's sample earnings statement below.

ABC Medical Corporation 1 Corporate Rd. Anytown, USA 10001		Period Ending: 06/14/18 Pay Date: 06/28/18		
Jason Winters 555 Pine Court Anytown, USA 10001		Social Security Number 111-11-1111 Taxable Marital Status: Single		Exemption/Allowances: Federal: 0 State: 0 Local: 0
	Earnings Rate	Hours	This Period	Year to Date
Regular	\$12.00	80.00	\$960.00	\$960.00
Overtime	00.00	00.00	00.00	00.00
Vacation	00.00	00.00	00.00	00.00
Holiday	12.00	00.00	00.00	00.00
Gross Pay			\$960.00	\$960.00
Deductions:				
Federal Income Tax			\$114.14	\$114.14
State Income Tax			\$42.24	\$42.24
Medicare Tax			\$13.92	\$13.92
Social Security Tax			\$59.52	\$59.52
Other:				
Health Insurance			00.00	00.00
401K*			00.00	00.00
Transfer to Savings			00.00	00.00
Net Pay (Checking ACH)			\$730.18	

*Excluded from federal taxable wages

Pay Period	Earnings	Taxes	Other	Deposit Number	Check Amount
06/01/18 - 06/14/18	\$960.00	\$229.82	\$0.00	1211111111111	\$730.18

Tear Here

ABC Medical Corporation	DATE 06/28/18
SEVEN HUNDRED THIRTY DOLLARS AND 18/100	\$730.18
PAY TO THE ORDER OF Jason Winters 555 Pine Court Anytown, USA 10001	CHECK NUMBER 12345678

If Jason lived in your state, what would the state income tax deduction be?

Is there a county tax deduction where you live? _____
If yes, what amount would be deducted from Jason's paycheck?

Calculate Jason's net pay, given the deductions for your state. What is the new amount?

Career Clusters

Agriculture, Food, and Natural Resources

Producing, processing, marketing, distributing, financing, and developing agricultural commodities and resources, including food, fiber, and wood products.

Arts, Audio/Video Technology, and Communications

Designing, producing, exhibiting, performing, writing, and publishing multimedia content, including visual and performing arts and design, journalism, and entertainment services.

Architecture and Construction

Designing, planning, managing, building, and maintaining homes and commercial buildings.

Business Management and Administration

Planning, organizing, directing, and evaluating business functions to make them efficient and productive.

Education and Training

Planning, managing, and providing education, training, and support services.

Finance

Planning and related services for financial and investment planning, banking, insurance, and business financial management.

Government and Public Administration

Planning and executing government functions at the local, state, and federal levels, including governance, national security, foreign service, revenue and taxation, and regulations.

Health Science

Planning, managing, and providing therapeutic services, diagnostic services, health information, support services, and biotechnology research and development.

Hospitality and Tourism

Helping people with their recreational and entertainment needs, such as restaurant and food/beverage services, lodging, travel and tourism, and amusement attractions.

Human Services

Counseling and mental health services, family and community services, personal care, and consumer services.

Information Technology

Designing, developing, supporting, and managing hardware, software, multimedia, and systems-integration services.

Law, Public Safety, Corrections, and Security

Planning, managing, and providing legal, public safety and protective services, and homeland security.

Manufacturing

Planning, managing, engineering, and performing the processing of materials into products.

Marketing

Planning, managing, and performing marketing activities, such as brand management, professional sales, merchandising, marketing communications, and market research.

Science, Technology, Engineering, and Mathematics (STEM)

Planning, managing, and providing scientific research and professional and technical services, including laboratory and research services.

Transportation, Distribution, and Logistics

Planning, managing, and moving of people, materials, and goods by road, pipeline, air, rail and water.

Career Cluster Card Memory Sheet

Record what you hear from your classmates as accurately as possible.

Rate your team's performance using this rubric. (You will need only one rubric per team.) Add the points and place the total in the Score box.

Career Cluster Memory Game Rubric

Completion	0 point	1 point	3 points	5 points	Score
Career Cluster Card title	No title	Part of the title	Most of the title	Full title	
Jobs listed	0 job	1 job	2 jobs	3 jobs	
Job description	0 description	1 description	2 descriptions	3 descriptions	
Salary (yearly)	0 salary	1 salary	2 salaries	3 salaries	
Extra credit: Salary (hourly)	0 salary	1 salary	2 salaries	3 salaries	
Points Possible: 25					

Self Respect

Module One Lesson 11

CONFIDENCE | CHARACTER | COURAGE





Self-Respect

Self-respect is the key to happiness and success in life. Self-respect is how we feel and treat ourselves.

Listed below you will find traits of someone who has self-respect. Can you add to the list?

Has Confidence

Takes pride in their work

Takes responsibility

Creative

Attempts new things

Helps others

Seeks new friendships

A good attitude

Tolerates frustration well

Your List

CONFIDENCE | CHARACTER | COURAGE



Name _____ Date _____

PROSPER

1. What is **Job Retention**?

2. Is it acceptable to be absent from work? Explain

3. If you're going to be absent from work, how early should you call?

4. In your own words, name **three** reasons why you would not be able to make the phone call yourself when you are not going to make it to work.

5. If you're running late to work, what should you do and who do you speak to?

6. What is the purpose of a **Union at a workplace**?

7. What is **Employee expectations**?

8. What is **Career Advancement**?

9. Identify **three signs** of stress at work?

10. What are **Overt behaviors**?

11. What are **Covert behaviors**?

12. List **three** jobs and describe appropriate dress for that job.

13. What is **work ethic**?

14. Explain the appropriate way to handle **gossip** and give **two** examples.

15. What is **employee turnover**?

16. List **three** things that can cause employee turnover.

17. Explain how your co- worker always being absent effects the team.

18. List **three** good work ethic skills.

19. What is your Dream Job?

20. Describe how you should dress and what appropriate behavior for your dream Job is.
