



INCOME & TAXES

INCOME is any money that comes into your possession. Most likely this will be income related to work, but it could also be from your allowance, from gifts, from investments, and other sources.

Income can be **earned** (you worked for it) or it can be **passive** (you received it from owning assets that generate income). Earned income can be a **wage**, where you are paid a certain amount of money for each hour you work, or it can be a **salary**, where you are paid a set amount of money no matter how many hours you work. Federal minimum wage is currently \$7.25/hour.

Income Taxes are taken out of income. In almost every case, income taxes need to be paid on any earned income. These taxes are paid to: the federal government (progressive tax - the more you earn the higher the percentage), the state government (percentage is based on which state), for Social Security (6.2% employee and 6.2% employer), and Medicare programs (1.45% employee and 1.45% employer). Social Security and Medicare are FICA (Federal Insurance Contribution Act) Taxes.

Taxes are deducted from your **gross income**, the total amount you earned in a pay period. Once these taxes have been deducted, you are left with your **net income**, also called "take home pay."

COMPANY NAME				EARNINGS STATEMENT		
Sample Company Name, Sample Company Address, 95220				EMPLOYEE NAME	SOCIAL SEC. ID	EMPLOYEE ID
				Sample Name	XXX-XX-3432	44234
				CHECK NO.	PAY PERIOD	PAY DATE
				48889	10/01/13-11/06/13	11/08/13
INCOME	RATE	HOURS	CURRENT TOTAL	DEDUCTIONS	CURRENT TOTAL	YEAR-TO-DATE
GROSS WAGES	50	50	2,500.00	FICA MED TAX	36.25	1,831.25
				FICA SS TAX	155.00	6,975.00
				FED TAX	559.18	25,163.00
				CA ST TAX	183.76	8,269.26
				SDI	25.00	1,125.00
YTD GROSS			112,500.00	YTD DEDUCTIONS		43,163.51
				YTD NET PAY		69,336.49
				CURRENT TOTAL	2,500.00	CURRENT DEDUCTIONS 959.19
						NET PAY 1,540.81

For example:
A weekly salary of \$1000

Gross Pay	\$1000.00
Federal Taxes	\$118.05
State Taxes	\$57.50
Social Security tax (6.2%)	\$62.00
Medicare (1.45%)	\$14.50
Net Pay	\$747.95



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WHERE DO MY TAXES GO?



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Three major areas of spending of the federal budget:

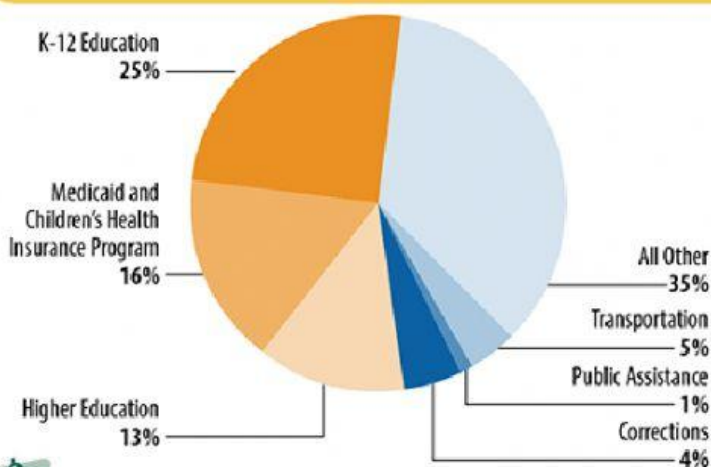
Major Health Programs (Medicare, Medicaid, CHIP, and marketplace subsidies)

Defense and international security assistance

Interest on debt

Based on an annual income of \$55,000 the tax paid is approximately \$13,000:

Health Programs	28.7%	\$3,728.92
Pentagon & Military	25.4%	\$3,299.13
Interest on the Debt	13.7%	\$1,776.06
Unemployment & Labor	8%	\$1,040.93
Veterans Benefits	5%	\$771.26
Food & Agriculture	4.6%	\$598.74
Education	3.6%	\$461.59
Government Expenses	2.9%	\$377.50
Housing & Community	1.9%	\$250.03
Energy & Environment	1.6%	\$207.68
International Affairs	1.5%	\$194.29
Transportation	1.2%	\$150.68
Science	1.1%	\$143.20



"All Other" includes care for residents with disabilities, pensions, and health benefits for public employees, economic development, environmental projects, state police, parks and recreation, and general aid to local governments.



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INCOME CHARTS

Taxable Income - Taxable income is the portion of your gross income that's actually subject to taxation. Deductions are subtracted from gross income to arrive at your amount of taxable income. The below chart is based only on a standard deductions for a single person.

Directions: Using the percentages and formulas provided, complete the empty boxes.

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I
Hourly Wage	Monthly Gross Income	Taxable Income	Federal Tax C* See Chart	GA State Tax C*0.0575	Social Security B*0.062	Medicare B*0.0145	Total Deduction D+E+F+G	Net Income B-H
\$7.25	\$1,257	\$223.67						
\$15	\$2,600	\$1567						
\$25	\$4,333	\$3300						
\$40	\$6,933	\$5900						
\$80	\$13,866	\$12,833						

FEDERAL TAX BRACKETS

Tax rate	Taxable income bracket	Taxed owed
10%	\$0 to \$829	10% of Taxable income
12%	\$829 to \$3,377	83 plus 12% of the amount over 829
22%	\$3,377 to \$7,198	389 plus 22% of the amount over 3377
24%	\$7,198 to \$13,744	1229 plus 24% of the amount over 7198
32%	\$13,744 to \$17,452	2800 plus 32% of the amount over 13744
35%	\$17,452 to \$43,633	3987 plus 35% of the amount over 17452
37%	\$43,633 or more	13150 plus 37% of the amount over 43633

2021 Federal Income Tax Brackets - Single Filers



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