

# 1-4 DEDUCTIONS: WHO GETS WHAT?



Luis has known Alex since they were in the seventh grade together. He and Alex have been comparing notes about the increasing costs of dating, keeping a car running, and getting any kind of schooling after high school. Luis realized three years ago that the only way to come up with the money he needed was to find a job. He started out at the supermarket, first stocking the shelves, then bagging the groceries. Now he runs the cash register and sometimes gets to work behind the deli counter.

What a shock it was to Luis the first time he received a weekly paycheck. He knew that he had worked 20 hours and that he was supposed to get \$4.75 an hour. He figured that the \$95.00 was just enough to buy one new tire for his car.

When he saw that the check was for only \$86.73, he immediately wanted to know what had happened to the rest of the money.

Luis knew that all the deductions from the check were somehow related to the mass of papers that got spread around the family dining room every April. His mother would perform numerous calculations with her calculator and transcribe some of them onto sheets of paper about taxes. It was all very mysterious, so Luis didn't ask questions. After April 15, all the papers vanished for another year.

Luis has heard his parents mention Medicare frequently in the last year. His grandfather has been hospitalized for a chronic illness and has had numerous medical tests and treatments. Some of these costs are covered by Medicare.

- OBJECTIVES:** *In this lesson, we will help Luis to:*
- *Understand why income taxes are deducted from a paycheck and what they are used for.*
  - *Learn what FICA taxes are for.*
  - *Realize why a new employee fills out a W-4 form.*
  - *Calculate take-home pay by subtracting deductions from gross pay.*

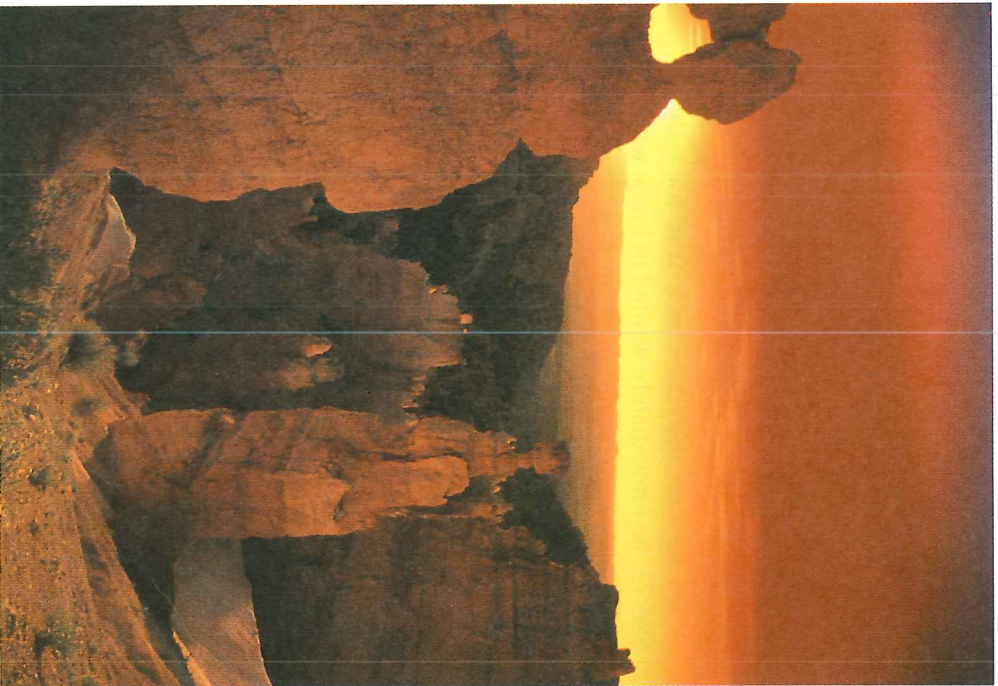
## **TAXES: A TOOL OF GOVERNMENT**

When Luis began to investigate the matter, he learned that the taxes collected by the federal government every year are used for many purposes, the largest of which are the nation's defense, the funding of the Social Security system and Medicare, and interest on the national debt. Federal taxes also support a variety of other activities including national parks, airport construction, agriculture, nutritional programs, school lunch programs, and libraries.

Luis's taxes—and yours, too, of course—are used to support not only federal activities, but also activities of state and local governments. In our society, government performs several broad functions, many of which significantly affect the general economy. These include the upkeep and funding of national parks and public highways, the redistribution of income to care for the needy, regulation of certain industries such as communications, and the establishment and preservation of the legal framework for the protection of the rights of citizens.

Luis knows that parks, highways, schools, and the police department are supported by taxes. He does not know how the government redistributes income so that some citizens pay for government benefits to other citizens. Taxes are the government's major means of making these transfer payments to support federal programs such as Social Security, programs for disabled veterans, disaster relief, and various welfare services.

Luis knows that, as a citizen, he is entitled to suggest changes in the way his taxes are spent. The legislators representing him are the people who can actually make the changes in the tax laws. In doing so, they must take into account the effect that new tax legislation will have on workers, consumers, business and industry, and the economy in general. This may sound easy, but it is not. Legislators realize that no one likes tax increases, and so they avoid raising taxes if they possibly can.



## WHY SOCIAL SECURITY?

So government operations are supported by income taxes. Are Social Security taxes just another form of income tax?

From the moment we are born until we die, people of all ages are affected if **income security** is absent. Children are affected if their parents lose their ability to earn an income. Young adults are concerned about how they will survive if they are disabled by illness or injury. Middle-aged people are concerned about how their children would be supported and educated if they were to die or become disabled. Older retired people often worry that their retirement income will not cover their living expenses.

In 1935 the U.S. government established **Social Security** to help protect citizens from economic insecurity. Simply put, the Social Security system is a combination of disability insurance and a pension plan that is compulsory for most workers. It provides a base on which individuals may build protection for themselves and their dependents. The cost of the system is paid for by both workers and employers.

Most employed people have **FICA** (Federal Insurance Contributions Act) taxes deducted from their paychecks. Employers also pay into the program by matching the amounts paid by the employees. A portion of the FICA taxes is paid into the Social Security trust fund, which entitles the employee eventually to receive Social Security benefits. A portion is used to pay for **Medicare**.

A few of the benefits paid for by FICA taxes include the following:

### SOCIAL SECURITY

- **Disability insurance** Income to individuals who become disabled and thus cannot work. Disability-income benefits are paid after a five-month waiting period during which it is determined whether the physical or mental disability is severe enough to prevent the person from working for at least a year.
- **Survivors insurance** Money for monthly living expenses to survivors of deceased workers who were eligible for Social Security benefits. These benefits go to children and in some cases to a widow or widower.
- **Retirement benefit** Monthly Social Security payments made to a retired worker and to the worker's spouse.

### MEDICARE

- **Health insurance** A two-part health insurance program for people over age 65. Medicare benefits consist of hospital insurance and medical (doctor) insurance.



## FORMS

When Luis began his job at the supermarket, he was asked to fill out a **Form W-4, Employee's Withholding Allowance Certificate**. The information that he put on this form determined the amount that his employer deducts from Luis's paycheck for income taxes. The amount depends on Luis's income level, his marital status, and the number of withholding allowances that he claims.

|  |  |   |  |   |                                |
|--|--|---|--|---|--------------------------------|
| Form <b>W-4</b>  |  | <b>Employee's Withholding Allowance Certificate</b> |  | OMB No. 1545-0010<br><b>19--</b>                  |                                |
| Department of the Treasury<br>Internal Revenue Service   |  |   |  |   |                                |
| ▶ For Privacy Act and Paperwork Reduction Act Notice, see reverse.   |  |   |  |   |                                |
| 1  | Type or print your first name and middle initial<br><b>Luis Estevez</b>  | Last name   | 2  | Your social security number<br><b>123-45-6789</b> |                                |
| Home address (number and street or rural route)<br><b>456 Cedar Street</b>   |  | 3   | <input checked="" type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withheld at higher Single rate.<br><small>Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.</small> |   |                                |
| City or town, state, and ZIP code<br><b>Inland, In. 12345</b>  |  | 4   | <input type="checkbox"/> If your last name differs from that on your social security card, check here and call 1-800-772-1213 for more information.  |   |                                |
| 5  | Total number of allowances you are claiming (from line G above or from the worksheets on page 2 if they apply) . . . . .                             |   |  |   |                                |
| 6  | Additional amount, if any, you want withheld from each paycheck . . . . .  |   |  |   |                                |
| 7  | I claim exemption from withholding for 1993 and I certify that I meet ALL of the following conditions for exemption:                                 |   |  |   |                                |
|  | <input type="checkbox"/> Last year I had a right to a refund of ALL Federal income tax withheld because I had <b>NO</b> tax liability; <b>AND</b>    |   |  |   |                                |
|  | <input type="checkbox"/> This year I expect a refund of ALL Federal income tax withheld because I expect to have <b>NO</b> tax liability; <b>AND</b> |   |  |   |                                |
|  | <input type="checkbox"/> This year if my income exceeds \$600 and includes nongame income, another person cannot claim me as a dependent.            |   |  |   |                                |
|  | If you meet all of the above conditions, enter "EXEMPT" here . . . . . <b>7</b>  |   |  |   |                                |
| Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status. |  |   |  |   |                                |
| <b>Employee's signature</b> ▶  |  | <b>Date</b> ▶                                       |  | 19  |                                |
| 8  | Employee's name and address (Employer: Complete 8 and 10 only if sending to the IRS)   | 9   | Office code (optional)   | 10  | Employer identification number |
|  |  |   |  |   |                                |

Cat. No. 102200

His employer does not have to withhold any tax from Luis's income if he did not have any income-tax liability (that is, did not owe any taxes) last year and if he does not expect to have any tax liability this year. Students often qualify for this no-withholding status because they have only part-time or summer jobs.

## READING YOUR PAYCHECK

When he got his first job, Luis really looked forward to his first paycheck. He knew that his income from this job would be the first step toward financial

|  |  |  |                |
|--|--|--|----------------|
| <b>Evans Foods</b><br>1000 Center Street<br>Inland, IN 12345 |  | Pay Statement                                |                |
| Check No.<br><b>3705</b>                                     | Name<br><b>Luis Estevez</b>              | Social Security Number<br><b>123-45-6789</b> |                |
| Pay Date<br><b>07/10/--</b>                                  | Pay Period<br><b>07/03/-- - 07/09/--</b> | Type<br><b>Salary</b>                        |                |
|  | Gross Pay                                | Federal Inc. Tax                             | FICA           |
|  | <b>\$95.00</b>                           | <b>\$1.00</b>                                | <b>\$7.27</b>  |
|  |  | State Inc. Tax                               | Other          |
|  |  |  | <b>Net Pay</b> |
|  |  |  | <b>\$86.73</b> |

**Evans Foods**  
1000 Center Street  
Inland, IN 12345

3705

PAY  
TO THE  
ORDER OF

*Luis Estevez*<sup>73</sup>  
*Eighty-six and 100*

*July 10* 19 *--*

\$

**86.73**

DOLLARS

**Commercial Bank**  
Inland, Indiana

FOR

*Amelia Evans, manager*

independence. That check is shown above. A pay statement summarizing his deductions is shown at the bottom of page 38.

Young workers are often surprised by the difference between total pay, or **gross pay**, and net pay, or take-home pay. **Take-home pay** is the amount remaining after federal and state taxes and other deductions have been taken out of the check. A **deduction** is an amount of money subtracted from a person's gross pay for such items as FICA taxes, federal and state income taxes, insurance premiums, and union dues. After deductions your take-home pay is likely to be about 20% to 30% less than your gross pay.

### Ask Yourself

1. What are five broad economic functions of our government?
2. What are four examples of the redistribution of income that the government accomplishes through taxation and spending?
3. Who pays for the federal Social Security system?
4. How does your employer determine how much of your income to withhold for taxes?
5. When you first get a job, which federal tax form are you asked to complete and submit to your employer?
6. How is take-home pay computed?

## ALGEBRA REVIEW

Percent means "per hundred."

Example  $7\% = 0.07 = \frac{7}{100}$

Express each as a decimal.

1. 5%
2. 20%
3. 7.5%
4. 0.5%
5. 7.65%
6. 125%

Express each as a percent.

7. 0.30
8. 0.02
9. 1.5
10. 0.004

Find each amount.

11. 5% of 120
12. 7% of \$4.56
13. 120% of \$808
14. 7.5% of \$9.10
15. 7.65% of \$4920

## SHARPEN YOUR SKILLS

### SKILL 1

To find the amount to withhold for federal income tax, use a table like the one shown for a single person with weekly wages.

| SINGLE PERSONS—WEEKLY PAYROLL PERIOD |               | (For Wages Paid in 19--)                             |     |     |     |     |     |
|--------------------------------------|---------------|--|-----|-----|-----|-----|-----|
| If the wages are—                    |               | And the number of withholding allowances claimed is— |     |     |     |     |     |
| At least                             | But less than | 0  | 1   | 2   | 3   | 4   | 5   |
|                                      |               | The amount of income tax to be withheld is—          |     |     |     |     |     |
| \$0                                  | \$50          | \$0  | \$0 | \$0 | \$0 | \$0 | \$0 |
| 50                                   | 55            | 1  | 0   | 0   | 0   | 0   | 0   |
| 55                                   | 60            | 1  | 0   | 0   | 0   | 0   | 0   |
| 60                                   | 65            | 2  | 0   | 0   | 0   | 0   | 0   |
| 65                                   | 70            | 3  | 0   | 0   | 0   | 0   | 0   |
| 70                                   | 75            | 4  | 0   | 0   | 0   | 0   | 0   |
| 75                                   | 80            | 4  | 0   | 0   | 0   | 0   | 0   |
| 80                                   | 85            | 5  | 0   | 0   | 0   | 0   | 0   |
| 85                                   | 90            | 6  | 0   | 0   | 0   | 0   | 0   |
| 90                                   | 95            | 7  | 0   | 0   | 0   | 0   | 0   |
| 95                                   | 100           | 7  | 1   | 0   | 0   | 0   | 0   |
| 100                                  | 105           | 8  | 1   | 0   | 0   | 0   | 0   |
| 105                                  | 110           | 9  | 2   | 0   | 0   | 0   | 0   |

To find FICA taxes (Social Security and Medicare), use the following.

If annual income is less than \$57,600, then the deduction for FICA taxes is 7.65% of gross pay.

**EXAMPLE 1** Luis's salary for this week is \$95. Luis entered one withholding allowance on his W-4 form.

- QUESTIONS**
1. How much will be withheld for income tax?
  2. How much will be deducted for Social Security and Medicare?
  3. How much is Luis's take-home pay?

**SOLUTIONS**

1. Find the amount to withhold on the table shown above. Notice that Luis's wages, \$95.00, are on the eleventh line, "at least 95, but less than 100." Read across to the withholding allowance column headed 1. The number in that column is the dollar amount to be withheld. The amount withheld for income tax from Luis's check will be \$1.

2. Luis's salary is less than \$57,600, so the deduction for FICA taxes is 7.65% of the gross pay.

$$0.0765 \cdot 95 = 7.2675 \quad 7.65\% = 0.0765$$

The deduction for FICA taxes is \$7.27.

3. Luis can find his take-home pay by writing and solving an equation for his take-home pay  $T$ , where  $g$  = gross pay,  $w$  = amount withheld for income taxes, and  $f$  = deduction for FICA taxes.

Take-home pay = gross pay – all deductions

$$T = g - (w + f)$$

$$T = 95 - (1 + 7.27)$$

$$T = 95 - 8.27$$

$$T = 86.73$$

Luis's take-home pay is \$86.73.

## SKILL 2

**EXAMPLE 2** Luis wanted to see how he could use a spreadsheet to represent his take-home pay.

### SOLUTION

He set up a spreadsheet in the following way.

|   | A     | B            | C           | D           | E         |
|---|-------|--------------|-------------|-------------|-----------|
| 1 | Name  | Luis Estevez |             |             |           |
| 2 |       |              |             |             |           |
| 3 | Gross | Withholding  | Income Tax  | FICA        | Take-Home |
| 4 | Pay   | Allowances   | Withholding | Withholding | Pay       |
| 5 |       |              |             |             |           |
| 6 |       |              |             |             |           |

He used row 1 for the Name line and rows 3 and 4 for the five column headings. He completed row 6 by typing the following into cells A6–E6. He formatted columns D and E for two decimal places.

$$6 \quad 95 \quad 1 \quad 1 \quad 0.0765 * A6 \quad + A6 - (C6 + D6)$$

On the computer screen, row 6 actually appears as follows.

$$6 \quad 95 \quad 1 \quad 1 \quad 7.27 \quad 86.73$$

By using formulas in columns D and E, Luis was able to find the take-home pay for any value of the gross pay that he wishes by filling in columns A and C with the correct numbers and letting the computer calculate the values in cells D6 and E6.

## TRY YOUR SKILLS

Use the income tax withholding table in the Reference Section to find the take-home pay for the given wages and withholding allowances. Assume that each person is married. For the FICA deduction, find 7.65% of gross pay. Use the formula for take-home pay

$$T = g - (w + f)$$

where  $g$  is the gross pay,  $w$  is the amount withheld for taxes, and  $f$  is the deduction for FICA.

|    | Monthly Salary | Withholding Allowances |     | Monthly Salary | Withholding Allowances |
|----|----------------|------------------------|-----|----------------|------------------------|
| 1. | \$2400         | 0                      | 2.  | \$ 700.00      | 3                      |
| 3. | 3400           | 5                      | 4.  | 4380.00        | 1                      |
| 5. | 1280           | 5                      | 6.  | 4600.00        | 1                      |
| 7. | 2000           | 3                      | 8.  | 2208.33        | 5                      |
| 9. | 2550           | 4                      | 10. | 1666.67        | 0                      |

11.–20. Create a computer spreadsheet to calculate the take-home pay for the people in Exercises 1–10. Use formulas for the columns for the FICA deduction and take-home pay.

## EXERCISE YOUR SKILLS

1. Why is it difficult to make changes in tax policies?
2. Why did the federal government start the Social Security system?
3. The Social Security taxes that you are paying now are being transferred to current beneficiaries. Who will pay for the benefits that you will receive in the future?
4. Why do you suppose that the Social Security system, unlike private insurance, is not voluntary for the majority of workers?
5. The provisions for retirement benefits under the Social Security system eliminate or alleviate certain risks for its recipients. What are some of these risks?

Use the income tax withholding table in the Reference Section to find the take-home pay for the given wages and withholding allowances. Assume that each person is married. For the FICA deduction, take 7.65% of gross pay. Use the formula for take-home pay

$$T = g - (w + f)$$

where  $g$  is the gross pay,  $w$  is the amount withheld for taxes, and  $f$  is the deduction for FICA (Social Security and Medicare).

### KEY TERMS

deduction  
disability insurance  
FICA deduction  
form W-4  
gross pay  
health insurance  
income security  
Medicare  
retirement benefits  
Social Security  
survivors insurance  
take-home pay



|     | Monthly Salary | Withholding Allowances | Monthly Salary | Withholding Allowances |
|-----|----------------|------------------------|----------------|------------------------|
| 6.  | \$2640         | 1                      | 7. \$2500.00   | 1                      |
| 8.  | 4720           | 2                      | 9. 1500.00     | 5                      |
| 10. | 4000           | 5                      | 11. 1500.00    | 4                      |
| 12. | 3000           | 3                      | 13. 4166.67    | 2                      |
| 14. | 4700           | 1                      | 15. 3500.00    | 3                      |

- 16.-25. Create a computer spreadsheet to calculate the take-home pay for the people in Exercises 6–15. Use formulas for the columns for Social Security/Medicare and take-home pay.

### MIXED REVIEW

- Marsha's job at the library pays her \$12.50/h plus  $1\frac{1}{2}$  times her regular wage rate for each hour over 35 hours. How much did she earn in a week during which she worked 42 hours?
- A law firm is offering a new employee the following fringe benefits: \$1100 in annual health insurance premiums, 6% of gross pay to match the employee's retirement contributions, and a monthly travel allowance of \$100. The annual salary is \$53,000, and the FICA taxes are 7.65% of gross pay. Find the total annual cost that the law firm has to budget for the new employee.
- Alvin receives a 4% commission on his total automobile sales in a given month plus an additional 1.5% on all sales over \$60,000 during the same month. In April, Alvin sold \$87,000 worth of automobiles. What were his total earnings for April?
- Inez receives a weekly salary of \$280 at the real-estate office where she works and also receives a 3.6% commission for each house that she sells. In a recent year she worked for 45 weeks and was credited with sales of \$600,000. What was her annual income?
- Ricardo owns a tour-bus company. He offers his tour guides a choice between receiving \$1.50 for each tourist who rides on the guide's tour bus and receiving a salary of \$150 for a five-day week plus \$1.00 for each tourist. Each guide conducts two tours a day, and each bus holds 40 tourists. On the average, what is the least percent of the bus that should be full for the straight-commission option (no salary) to be the more attractive choice?
- Katrina receives a salary of \$46,000 and takes vacation days and holidays for 24 of the company's 260 operating days. How much of her salary is paid for the days during which she does not work?
- Diane assembles electronic beepers in a factory. She receives \$15 for each deluxe model and \$11 for each standard model. How much did she earn in a week when she assembled 17 deluxe models and 13 standard models?

## CHAPTER 1 REVIEW

1. If your company requires a lot of overtime, would you prefer to work for an hourly rate or for a monthly salary. Why?
2. Why would you not trust the advice of a salesperson whom you knew was getting push money?
3. Why is your take-home pay less than your gross earnings?
4. Why would you expect a person with little education, job training, or both to have more difficulty getting a job than a person with a college degree and work experience?

Find the total weekly pay based on an overtime rate of  $1\frac{1}{2}$  times the regular hourly rate for all working time over 20 hours.

|    | Number of Hours | Wages/Hour | Bonuses |
|----|-----------------|------------|---------|
| 5. | 42.0            | \$ 6.50    | \$10.00 |
| 6. | 35.5            | 18.75      | 20.00   |
| 7. | 40.0            | 21.50      | 41.00   |

Find the total number of hours you would work during the week if you worked on the following time schedule.

8. Saturday 3–8 P.M.      Sunday 3–8 P.M.      Monday 4–11 P.M.  
Tuesday off      Wednesday 4–8 P.M.      Thursday 6–10 P.M.
9. Assume that you work on the schedule in Exercise 8. Find your total weekly salary if you make \$5.25 per hour and an overtime rate of  $1\frac{1}{2}$  times your regular hourly rate for any time over 20 hours.
10. Find the total annual cost to an employer for a new employee hired at \$30,000 per year. The annual insurance premiums are \$900 for health insurance and \$120 for life insurance. The FICA taxes are 7.65% of gross pay.
11. Find the total annual cost to an employer to hire a lab technician at \$44,000 per year. Health insurance is \$260 per month. Retirement is 3% of gross pay and the FICA taxes are 7.65% of gross pay.

Find the amount of total sales and total commissions made on the basis of the given information.

|     | Number of Items | Unit Price | Commission Rate | Total Sales | Commission |
|-----|-----------------|------------|-----------------|-------------|------------|
| 12. | 25              | \$ 108.92  | 15%             |             |            |
| 13. | 3               | 3405.00    | 8.2%            |             |            |
| 14. | 42              | 23.50      | 6.3%            |             |            |
| 15. | 150             | 19.50      | 7%              |             |            |

Solve each problem.

16. Your salary is \$300 per week plus 15% commission. What is your week's pay if your total sales for the week are \$4175?
17. Katy assembles craft kits. She receives \$8 for each regular kit and \$12 for each advanced kit. How much did she earn in a week in which she assembled 35 regular kits and 22 advanced kits?
18. Shawn sells annual memberships in an exercise club. His boss has offered him a choice between Plan 1, no salary but a straight \$45 for each membership sold, and Plan 2, a weekly base salary of \$250 plus \$20 for each membership sold. How many memberships would Shawn have to sell to make the same amount of money under either plan?
19. Your graduated commission pays you 3% on all sales up to \$7000 and 5% on all sales over \$7000. What is your pay if your total sales are \$10,800?
20. Your piece rate at a local toy factory is \$2.75 for each assembled toy, and your weekly salary is \$170. What are your earnings in a week during which you assembled 110 toys?

Use the income tax withholding tables in the Reference Section to find the income tax and FICA withholding for each single person making the monthly salaries given below. What will be the take-home pay for each person?

|     | Monthly Salary | Withholding Allowances | Income Tax Withholding | FICA Withholding | Take-Home Pay |
|-----|----------------|------------------------|------------------------|------------------|---------------|
| 21. | \$1500.00      | 0                      |                        |                  |               |
| 22. | 2728.00        | 2                      |                        |                  |               |
| 23. | 1731.20        | 5                      |                        |                  |               |

For each company fringe benefits policy described below, find

- a. the amount that the company must pay for extra taxes, retirement, health and life insurance, and other fringe benefits.
- b. how much salary is paid for the indicated number of nonworking days in a total of 260 operating days.

| Employee          | Salary   | Fringe Benefits Option  |
|-------------------|----------|---|
| 24. Auto mechanic | \$32,000 | 7.65% of gross for FICA taxes<br>\$150/month for health insurance<br>3% of gross for retirement<br>28 nonworking days |
| 25. Bank teller   | \$23,500 | 7.65% of gross for FICA taxes<br>\$120/month for health insurance<br>22 nonworking days                               |

## CHAPTER 1 TEST

- If you work 60 hours each week, would you make more money working for \$6 an hour or for \$1200 a month?
- How does your take-home pay differ from your gross earnings?
- Which of the two following employment positions provides more money in salary and fringe benefits?

|                     | <i>Atwood Electronics</i> | <i>Technology, Inc.</i> |
|---------------------|---------------------------|-------------------------|
| Salary              | \$38,500                  | \$36,000                |
| Medical insurance   | \$85/month                | \$115/month             |
| Retirement benefits | 3% of gross pay           | 3.5% of gross pay       |
| Expense account     | \$450/month               | \$130/month             |

- If your pay is \$500 per week plus a 12% commission, what is your week's pay during a week in which your total sales are \$2723?
- Your graduated commission pays 3% for sales up to \$8500 and 5% on sales over \$8500. Find your pay for total sales of \$12,000.

Find the total weekly pay based on an overtime rate of  $1\frac{1}{2}$  times the regular hourly rate for all working time over 20 hours.

- You work  $43\frac{1}{2}$  hours at \$4.75 per hour and receive \$19.50 in tips.
- You work 37 hours at \$4.60 per hour and receive \$28.00 in tips.

Assume that 40 hours = 1 workweek, 52 weeks = 1 year, and 12 months = 1 year. Find the hourly, weekly, monthly and yearly salaries for the following pay rates.

- \$6392 per month
- \$1276.80 per week
- \$31.70 per hour

Find the total sales and total earnings based on the information shown.

- You sell 17 sewing kits at \$35 each. Your piece rate is \$4 per kit.
- You sell 78 VCRs at \$383.60 each. Your commission rate is 10%.
- You sell 5 virtual-reality consoles at \$2050 each. Your commission rate is 10%.

Use the tax tables in the Reference Section to complete the following chart for each single person making the monthly salaries given.

| Monthly Salary | Withholding Allowances | Income Tax Withholding | FICA Withholding | Take-Home Pay |
|----------------|------------------------|------------------------|------------------|---------------|
| \$3456         | 3                      |                        |                  |               |
| 2880           | 4                      |                        |                  |               |
| 4000           | 1                      |                        |                  |               |

## CUMULATIVE REVIEW

Determine the total weekly earnings for each employee described in each classified ad below. Use an equation of the form  $E = rh + t$ , where  $r$  represents the regular hourly rate,  $h$  represents the number of hours worked, and  $t$  represents the tips or bonus, if any.

- |  |   |
|--|---|
| <b>1. Dental Care</b><br><b>LAB TECHNICIAN \$13/h</b><br>40 hours/week | <b>2. Hair Stylist</b><br>English and Spanish speaking. \$15.50/h to start. Tips can be up to \$150 for a 35-hour week! |
|--|---|
- Find the weekly earnings of a server who earned \$4.80 an hour for 25 hours at a restaurant and who received \$130 in tips during that time.
- Keith earns \$7.50 an hour and  $1\frac{1}{2}$  times that amount for time over 20 hours in 1 week. What is his pay for 23 hours of work?
- Does the size of a fringe benefit necessarily increase when your salary is raised? Explain your answer.
- An auto parts store is offering a new manager the following fringe benefits: \$180/month in health insurance premiums and 5% of gross pay to match the employee's retirement contributions. The annual salary is \$47,500 and the FICA taxes are 7.65 of gross pay. Find the annual cost that the auto parts store has to budget for the manager.
- Carmen sells real estate. She receives 5% of the first \$100,000 of the selling price of a house and 6% of the amount over \$100,000. How much commission does Carmen receive on a house that sells for \$225,000?
- Sylvia has a part-time business videotaping weddings. Her rate is \$75 for the ceremony and \$150 if both the ceremony and the reception are covered. Last year she was able to cover 25 weddings, 10 of which included the reception. Her expenses for the year were \$200. What were her net earnings for the year?
- James has a monthly base salary of \$900 and a commission rate of 9% on his sales. Last month he sold 25 stereo systems at \$1450 each and 18 VCRs at \$425 each. What were his earnings last month?

Use the income tax withholding tables in the Reference Section to find the income tax and FICA withholding for each single person making the monthly salaries given below. What will be the take-home pay for each person?

|     | Monthly Salary | Withholding Allowances | Income Tax Withholding | FICA Withholding | Take-Home Pay |
|-----|----------------|------------------------|------------------------|------------------|---------------|
| 10. | \$4440         | 2                      |                        |                  |               |
| 11. | 2990           | 1                      |                        |                  |               |
| 12. | 1250           | 0                      |                        |                  |               |
| 13. | 2200           | 3                      |                        |                  |               |

## PROJECT 1-1: College Information

Obtain information from colleges you might wish to attend.

1. Call or write three colleges for a copy of their college catalog.
2. Make a chart comparing costs of tuition; room and board; transportation to school; personal expenses; and so on. **Note:** Transportation to school may or may not be important depending upon how many times during each year you return home.
3. List the field(s) of study you are considering.
4. List the degrees or majors offered by each school.
5. Bring in three college catalogs. Turn in your cost comparison chart. Turn in a list of majors and degrees offered.
6. Write about which college you think you would like to attend and explain why.

### Extension

Interview people who have attended college. Write a one-page report on their experiences.

## PROJECT 1-2: Career Interview

1. Make arrangements for an interview with someone who has a job in a career field or occupational area that interests you.
2. Prepare for the interview by making a list of questions that you would like answered. The following list of job topics should help you prepare questions for the interview.

|                               |                         |
|-------------------------------|-------------------------|
| Place of work and daily tasks | Hours worked            |
| Working environment           | Education required      |
| Appearance needed for job     | Experience needed       |
| Special talents needed        | Strength needed         |
| Hazards at work               | Time pressures on job   |
| Entry-level earnings          | Top-level earnings      |
| Type of work—easy/hard        | Future of job potential |
| Fringe benefits of job        | Security of job         |
| Work as part of a team        | Work individually       |
3. Complete the interview. Write a report that summarizes what you have learned. Include specific questions and answers from your interview.