Teacher Answer Key

Case Study

1. Filing a return is how you collect any refund you are owed, even when the tax involved is small.

2. Answers will vary. Knowing how withholding works lets you complete a W-4 so your take-home pay and your year-end tax bill both land where you expect, and reading a pay stub tells you what a job actually pays.

3. Deductions come out before he is paid: federal income tax, Social Security and Medicare, and state and local taxes depending on where he lives.

4. He can change how much is withheld by filling out his W-4 accurately.

Multiple Choice

1. A

2. B

3. D

Q1: Pay stub (The pay stub details your earnings and deductions from your gross pay.)

Q2: To determine how much federal income tax is withheld from your paycheck. (The W-4 tells your employer how much federal income tax to withhold from your paycheck.)

Q3: You could be charged penalties and interest. (Not filing taxes can lead to financial penalties from the IRS.)

Matching

1-B, 2-D, 3-A, 4-E, 5-C

Fill-in-the-Blank

1) Federal (The W-4 form is for federal income tax withholding.), 2) Safety (Taxes support public safety services like police and fire departments.), 3) Interest (Failing to file results in penalties and interest on unpaid taxes.)

Short Answer (Sample Responses)

Q1: Gross pay is your total earnings before deductions are taken out. Take-home pay is the amount of money you receive after all deductions (taxes, social security, etc.) are withheld from your gross pay.

Q2: Two ways to influence the amount of federal income tax withheld: Fill out your W-4 form accurately: claiming dependents lowers the amount withheld, and asking for extra withholding raises it. Use the IRS Tax Withholding Estimator tool: This tool helps you determine how much federal income tax to withhold based on your income and filing status.

Q3: Michael's pay stub lists the deductions taken from his earnings: federal income tax, Social Security and Medicare, and, depending on where he lives, state and local income taxes. Understanding them explains where the missing part of his paycheck went, and it shows him that he can influence how much federal income tax is withheld by completing a W-4 form.