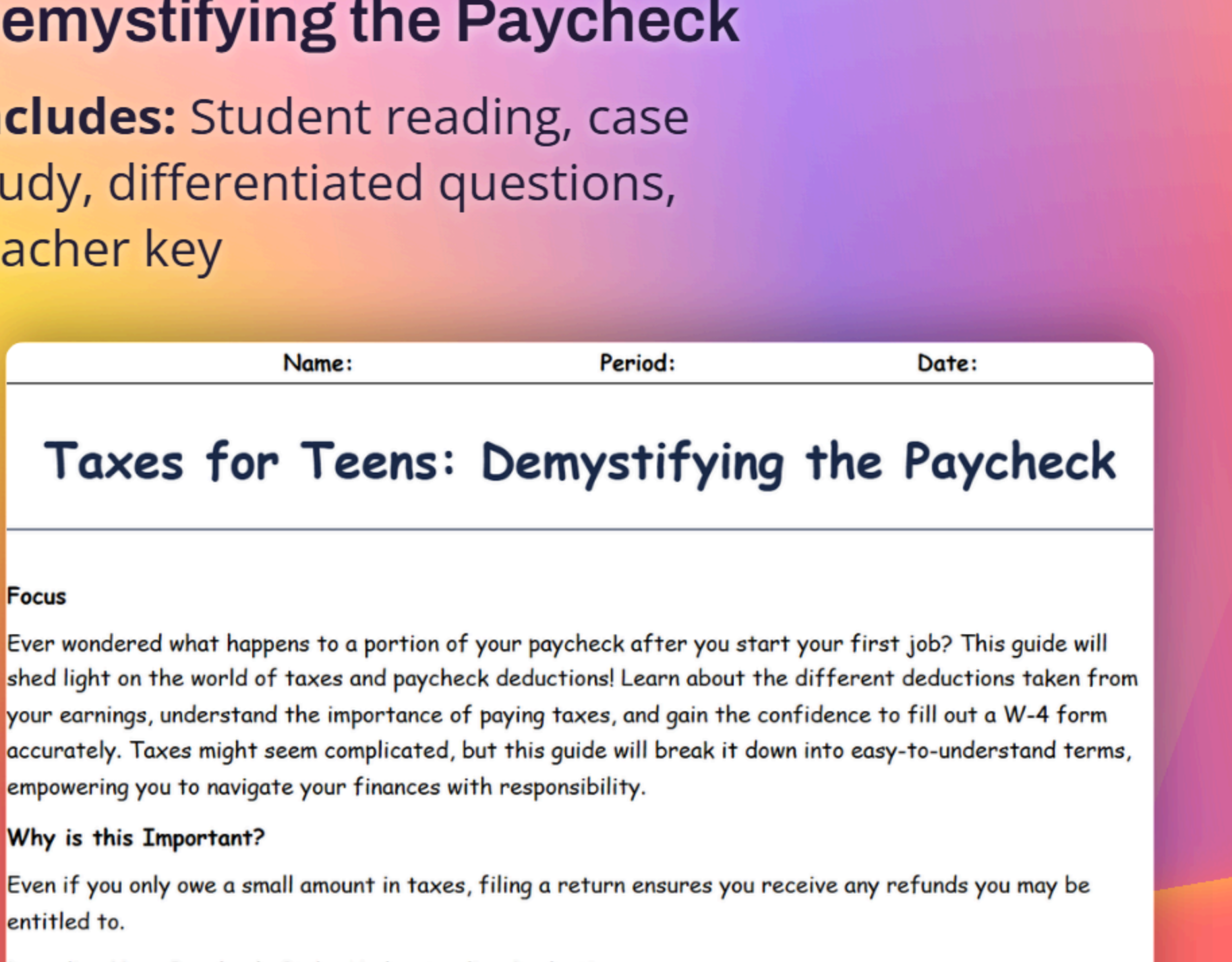
NO PREP

Taxes for Teens

Demystifying the Paycheck

Includes: Student reading, case study, differentiated questions, teacher key



Name: Period: Date:

Taxes for Teens: Demystifying the Paycheck

Focus

Ever wondered what happens to a portion of your paycheck after you start your first job? This guide will shed light on the world of taxes and paycheck deductions! Learn about the different deductions taken from your earnings, understand the importance of paying taxes, and gain the confidence to fill out a W-4 form accurately. Taxes might seem complicated, but this guide will break it down into easy-to-understand terms, empowering you to navigate your finances with responsibility.

Why is this Important?

Even if you only owe a small amount in taxes, filing a return ensures you receive any refunds you may be entitled to.

Decoding Your Paycheck Stub: Understanding Deductions

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Decoding Your Paycheck Stub: Understanding Deductions

Every time you receive a paycheck, you'll notice a document attached called a pay stub. This document details your earnings and deductions. Here's a breakdown of some common deductions you might see: Federal Income Tax: A portion of your earnings goes towards the federal government's budget. These taxes fund public services like roads, schools, and national defense. Social Security and Medicare: These deductions contribute to social programs that provide benefits to retirees and people with disabilities. You'll benefit from these programs when you reach retirement age. State and Local Taxes: Depending on your location, your paycheck might also have deductions for state and local income taxes.

Pro Tip

: While you can't control the tax rate, you can influence the amount withheld from your paycheck by completing a W-4 form.

The W-4: Your Withholding Power!

The W-4 form is a document you complete for your employer to determine how much federal income tax to withhold from your paycheck. Claiming dependents on your W-4 lowers the amount withheld from each paycheck, resulting in a larger take-home pay amount. Asking for extra withholding raises the amount withheld. However, if too little is withheld, you can end up owing taxes at the end of the year.

Filling Out a W-4 Accurately:

Filing Status: This indicates your marital status (single, married, etc.) for tax purposes. Dependents: If you have dependents, you can claim them on your W-4, which lowers the amount withheld. Adjustments: This section allows you to consider other income sources or deductions you might have, or an extra amount you want withheld from each paycheck.

Tax Tip

: The IRS provides a W-4 Tax Withholding Estimator tool to help you determine how much federal income tax to withhold from your paycheck.

The Importance of Paying Taxes and Potential Consequences

Taxes might seem like a burden, but they play a vital role in funding essential public services we all rely on, such as: Roads and Bridges: Tax dollars help maintain and improve our transportation infrastructure. Schools and Libraries: Taxes fund public education and provide access to libraries and educational resources. Police and Fire Departments: Taxes support public safety services that keep our communities safe.

The Price of Not Paying:

Failing to file taxes or pay what you owe can lead to serious consequences, including: Penalties and Interest: The IRS will charge you penalties and interest on unpaid taxes.

Wage Garnishment:

In severe cases, the government can garnish your wages, meaning it takes money directly from your paycheck to pay your tax debt.

Case Study: The Puzzled Paycheck

Michael just landed his first job at a local bookstore. He excitedly cashes his first paycheck, but notices a portion of his earnings is missing. Confused, Michael wonders where that money went.

1. According to the reading, why is it important for teens to file taxes, even if they only owe a small amount?

2. Think about the future. How might understanding basic tax concepts now benefit you as you enter adulthood and manage your finances more independently?

3. What are some possible reasons why Michael's paycheck might be lower than his gross (total) earnings?

4. How could understanding paycheck deductions help Michael better manage his finances?

Multiple Choice

1. What is the document that details your earnings and deductions on a paycheck?

    a) Pay stub

    b) Social Security card

    c) Tax return

    d) W-4 form

2. What is the main purpose of the W-4 form?

    a) To apply for a refund on overpaid taxes.

    b) To determine how much federal income tax is withheld from your paycheck.

    c) To register your dependents for Social Security and retirement benefits.

    d) To report your income to the government

3. What is a potential consequence of not filing taxes?

    a) You might receive a larger tax refund.

    b) You'll get early access to your Social Security benefits.

    c) Your employer will pay the taxes you owe for you.

    d) You could be charged penalties and interest.

Matching

Write the letter of the correct definition on the line next to each term.

Term	Definition
1. ___ Federal Income Tax	A) Income taxes that may also be withheld depending on where you live.
2. ___ Social Security and Medicare	B) A portion of your earnings that goes towards the federal government's budget.
3. ___ State and Local Taxes	C) In severe cases of unpaid taxes, the government takes money straight from your paycheck to pay the debt.
4. ___ Filing Status	D) Contributions to programs that provide benefits to retirees and people with disabilities.
5. ___ Wage Garnishment	E) Shows your marital status, like single or married, for tax purposes.

Fill-in-the-Blank

1. The W-4 form helps determine how much _____ income tax is withheld from your paycheck.

2. Police and fire departments are public _____ services funded by tax dollars.

3. Failing to file taxes can result in penalties and _____ on unpaid taxes.

Short Answer

Answer each question in 2-4 complete sentences.

1. Explain the difference between your total (gross) earnings and your take-home pay.

2. Describe two ways you can influence the amount of federal income tax withheld from your paycheck.

3. Refer to the case study "The Puzzled Paycheck." Why might understanding paycheck deductions be helpful for Michael as he manages his first job?