

Review Income, Taxes, W-2 and W-4

1) List 4 sources of income.

Salary, wages, commission, tips, bonus,

2) Which form is used to report to the government and the employee?

W-2 wage and tax statement

3) What does FICA stand for and what is it used for?

Federal Insurance Contributions Act

It is social security contributions for retirements.

4) Which taxes are called "Payroll Taxes"?

Medicare and Social Security

5) Who completes the W-4?

The employee

6) Who completes the W-2?

The employer

7) What is the purpose of the W-4?

It tells the employer how much to withhold from your paycheck.

8) What is the Medicare tax rate?

1.45%

9) What is the Social Security Tax rate?

6.2%

10) What is Medicare used for and who can qualify to receive it?

It is used for medical benefits for people 65 or over and their spouses.

11) What is Social Security used for and who can qualify to receive it?

It is used for retirement benefits for people 65 or older, their dependents, and those with disabilities

12) What is the difference between Gross Income and Net Income?

Gross pay is the money you earn before taxes are taking out of your check. Net pay is the money you get to keep after taxes.

Gross Pay is \$42,500

Calculate the following

social security  
FICA tax \$2,635  
 $6.2\% = .062$   
 $42,500 (.062)$

Medicare tax \$616.25  
 $1.45\% = .0145$   
 $42,500 (.0145)$