

# What Happened to My Paycheck?

## Pre-reading

### Questions:

- Is your paycheck usually less than you expect?
- Why is money deducted from your paycheck?
- Where does that money go?

### Definitions:

- Eligible – qualified for something; having what is required to



## Reading

18 Ben was excited about his new job. He had been hired at Super Wal-Mart. He was going to  
36 be a cashier. His starting wage was \$6.00 an hour. He figured that working 30 hours a week  
52 would earn him \$180.00. That would mean \$360.00 every two weeks. He was surprised when he  
68 got his first paycheck. He was not taking home \$360.00. He was only taking home \$288.00!  
What happened to all of his money? Where did it go?

79 Employers take out certain payroll **deductions**. They are subtracted from your gross income.  
92 Gross income is the total amount of income from your wages before payroll deductions. It's the  
108 number of hours worked times the hourly rate of pay. Ben's gross income was \$360.00 a pay  
125 period.

126 **Net income** is what you are left with after the payroll deductions have been removed. Net  
142 income is also called take-home pay. This is the amount you receive when you cash your check.  
160 It's the amount you have to spend. Ben's net income was \$288.00.

172 What are these payroll deductions? Where does the money go? Taxes are the biggest portion.  
187 Taxes are fees placed on income, property, or goods to support government programs. These  
201 programs may be at a local, state, or federal level. The law says income must be taxed.

218 Taxes are collected every pay period. There are four common ones: federal income tax, state  
233 income tax, Social Security tax, and Medicare tax. These taxes pay for many services. Federal and  
249 state tax dollars pay for road building and repair. They pay for our armed services. They also pay  
267 for schools, libraries, and state and national parks.

275 Social Security tax provides retirement money for the elderly, as well as support to survivors  
290 and the disabled. Medicare taxes provide for the medical insurance needs of eligible persons.  
304 These two taxes are known as FICA. What is it? FICA is the Federal Insurance Contributions Act.  
321 It was established to pay for retirement, medical, and other social insurance needs.

334 Ben wished his take-home pay was more. However, the law requires his employer to take out  
351 payroll deductions.

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## Understanding

1. What does the word **deduct** mean? \_\_\_\_\_  
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2. What is Ben's gross income? \_\_\_\_\_  
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3. How are tax dollars used? \_\_\_\_\_  
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4. What is **net income**? \_\_\_\_\_  
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5. Why do employers remove money from our paychecks? \_\_\_\_\_  
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6. What is FICA? What does it do? \_\_\_\_\_  
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7. How much was deducted from Ben's paycheck? \_\_\_\_\_  
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8. Where did that money go? \_\_\_\_\_  
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## Writing

Option A: Summarize the reading in your own words. What new things did you learn?

Option B: What is deducted from your paycheck? How do you feel about having these monies deducted?

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