Federal Income Tax

Vocab:

FIT - 90% of your income that goes to the national gov.

(For employees, war, infrastructure)

Withholding Allowance - Non-taxable income for dependents.
EXEMPLARY 1

Carla Good is an actuary. Her gross pay for this week is $425.88. She is married and claims 2 allowances for herself and her husband. What amount will Carla’s employer withhold from her pay for FIT? (Use Married Persons Weekly Payroll table on pages A4–A5.)

$14
Find the federal income tax withheld each week using the Weekly Payroll tables (see pages A2–A5). Check your answers in the back of the book.

1. Dan Caine, a welder, is married, claims 1 allowance, and earns $390.50.

2. Angie Kim, an executive assistant, is single, claims 2 allowances, and earns $435.95.
Lance Hart’s gross pay for this week is $393.23. He is a carpenter’s apprentice, single, and claims 2 allowances. Using the percentage method of withholding, what amount will Lance’s employer withhold from his pay for federal income tax?

<table>
<thead>
<tr>
<th>Weekly Taxable Wage</th>
<th>The amount of income tax to withhold is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 51.00</td>
<td>$0.00 plus (10% of the excess over $51.00)</td>
</tr>
<tr>
<td>But not over 195.00</td>
<td>14.40 plus (15% of the excess over 195.00)</td>
</tr>
<tr>
<td>195.00</td>
<td></td>
</tr>
<tr>
<td>645.00</td>
<td></td>
</tr>
<tr>
<td>1,482.00</td>
<td>81.90 plus (25% of the excess over 645.00)</td>
</tr>
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</table>

\[
393.23 - 2(63.46) = 266.31 \text{ (taxable)}
\]

\[
14.40 + 0.15(266.31 - 195) = 25.10
\]
Use the percentage method of withholding to find the amount of federal income tax withheld each week. Check your answers in the back of the book.

### Percentage Method of Withholding – Single Person

Each weekly allowance is 63.46.

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</tr>
<tr>
<td>645.00</td>
<td>$1,482.00</td>
</tr>
</tbody>
</table>

3. Deb Boon is single, claims 2 allowances, and earns $293.23.

\[
293.23 - 2(63.46) = 166.31
\]

\[
0 + 0.10(166.31 - 51) = 11.53
\]
Use the percentage method of withholding to find the amount of federal income tax withheld each week. Check your answers in the back of the book.

### Percentage Method of Withholding – Single Person

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<td>1,482.00</td>
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4. Mitch Watt is single, claims 4 allowances, and earns $587.94.

\[587.94 - 4(68.46) = 334.10\]

\[14.40 + 0.15(334.10 - 195) = 35.27\]
State Income Tax

**Vocab:**

*Exemption* - the state allowance.
Example 1

Tony Raymond’s gross pay as a landscape designer is $44,750 a year. The state income tax rate is 3% of taxable wages. He takes an exemption for himself and 1 exemption for his child. How much does Tony’s employer withhold yearly from his gross earnings for state income tax? (Use the Exemptions table in Figure 2.2 to find the annual state income tax withheld.)

\[
\frac{44,750 - 4000}{0.03} \times 40,750 = 1292.50
\]
Use Figure 2.2 to find the amount withheld annually for state tax. Check your answers in the back of the book.

1. Gross pay: $23,760
   Married with 3 dependents
   State income tax rate: 4%

   \[ 23,760 - 10,000 = 13,760 \]
   
   \[ 0.04 \times 13,760 = 550.40 \]
2. Gross pay: $43,300
   Single with 1 dependent
   State income tax rate: 5%

\[
43300 - 4000 \\
0.05(39300) = 1965
\]
Example 2: Algebra

Andrea McReedy is a dispatcher for a local trucking company. She earns $52,600 per year. She is married and pays $2,430 in state income tax per year. She claims no other dependents. What is the state income tax rate for her state? (See Figure 2.2)

\[ \frac{x(52,600 - 4,000)}{48,600} = \frac{2430}{48,600} \]

\[ x = 0.05 = 5\% \]

Exemptions

<table>
<thead>
<tr>
<th>Exemption</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$2,000</td>
</tr>
<tr>
<td>Married</td>
<td>$4,000</td>
</tr>
<tr>
<td>Each Dependent</td>
<td>$2,000</td>
</tr>
</tbody>
</table>
3. Bela Deere is an audiologist. She is married and claims 3 dependents. The state income tax rate is 4%. If her employer withholds $3,040 for state income tax annually, find her annual salary.

\[0.04(X - 10000) = 3040\]

\[X - 10000 = \frac{3040}{0.04} \times 0.04\]

\[X - 10000 = 76000\]

\[X = 86000\]
Using Figure 2.2, complete the following problems. Check your answers in the back of the book.

4. Anton Louis is a junior partner in an accounting firm. He is single and has an annual salary of $63,400. If the state income tax rate is 4.5% and his company withholds $2,493 annually for state income tax, how many exemptions does Anton claim? Each exemption is $2,000.

\[
0.045(63400 - x) = 2493 \\
0.045
\]

\[
63400 - x = 55400 \\
x = 8000 \\
x = 8000 \\
2000 \\
4\text{ exemptions}
\]