

# Lesson Plan 2: What ate my paycheck?

**SUBJECT(S):** Math, Economics

**GRADE LEVEL:** 7 - 10

**DURATION:** one class period

## Objectives

Students will understand that:

- individual income is part of a larger economic system that requires taxation to function

Students will be able to:

- calculate the percentage of a paycheck deducted for various types of taxes

## Warm-up/Discussion

Ask students if anyone has had the experience of being surprised when they received their first paycheck and saw how much money had been deducted from it. Review the deductions shown on the *Sample Paycheck* (pg. 92). You can use the vocabulary words to explain some of the deductions that are commonly taken from an employee's pay. Discuss the value of benefits, such as health insurance, that should be considered part of total compensation.

## Learning Activities

Distribute the *What ate my paycheck?* (pg. 93) and *Sample Paycheck* (pg. 92) handouts and ask students to calculate the percent each deduction from gross income represents.

## Assessment

Check the accuracy of the calculations on the handout.  
*Answer Key: What ate my paycheck?* (pg. 94)

## Wrap-up/Reflection

Lead a class discussion about deductions from income. Were students surprised at the difference between gross and net income? What other kinds of taxes do we pay and what does the money get used for (sales taxes, property taxes, etc.)

## Materials Included:

- Sample Paycheck [pg. 92]
- What ate my paycheck? [pg. 93]
- Answer Key: What ate my paycheck? [pg. 94]

## Vocabulary

### federal income tax:

*money deducted from an individual's gross income to support federal government programs*

### FICA:

*Federal Insurance Contributions Act: a U.S. employment tax levied in an equal amount on employees and employers to fund federal programs*

### gross income:

*pay received before any deductions are subtracted*

### Medicare:

*A U.S. government program that pays for medical care for people over the age of 65*

### net income:

*the amount of money remaining after all deductions have been subtracted*

### Social Security:

*a federal program that pays benefits to retired people and the families of deceased or disabled workers*

### state income tax:

*money deducted to support state government*

### 401k:

*a retirement investment plan that allows an employee to put a percentage of earned wages into a tax-deferred investment account selected by the employer.*

# Sample Paycheck

Acme Widget Corporation

DATE 12/21/2005 AMOUNT \$1109.66

PAY ONE THOUSAND ONE HUNDRED NINE DOLLARS and 66 CENTS

1254		Sales		Branchworth Farthington			
EMPLOYEE NO.	DEPARTMENT	EMPLOYEE NAME	SOCIAL SECURITY NO.	PERIOD END			
EARNINGS	HRS/UNITS	CURRENT AMOUNT	YEAR TO DATE	DEDUCTIONS	CURRENT AMOUNT	YEAR TO DATE	
Regular Pay	78.350	1527.39	35049.98	FEDERAL INCOME	181.75	6927.07	
Overtime Pay	1.580	46.20	687.87	FEDERAL MEDICAR	22.41	718.37	
				FEDERAL SOCIAL	95.81	3071.70	
				ILLINOIS STATE	41.22	1335.82	
				401K%	94.42	3015.52	
				Dental Ins	3.06	79.56	
				Health Insurance	25.26	635.16	
VACATION BAL	20.000						
ILLNESS BAL	0.000						
PERSONAL BAL	0.000						
19.49	1573.59	463.93	1109.66	50258.40	15783.20	34475.20	
PAY RATE	CURRENT EARNINGS	CURRENT DEDUCTIONS	NET PAY	Y.T.D. EARNINGS	Y.T.D. DEDUCTIONS	Y.T.D. NET PAY	

## What ate my paycheck?

Branchworth Farthington is an employee who is unmarried, has no dependents and earns \$35,050 per year. Calculate the percent of Branchworth's annual salary represented by each deduction and fill in the table below, rounding to the closest percent.

<b>Tax</b>	<b>Percent</b>	<b>Amount deducted</b>
Federal Income		
Medicare		
Social Security		
Illinois State		

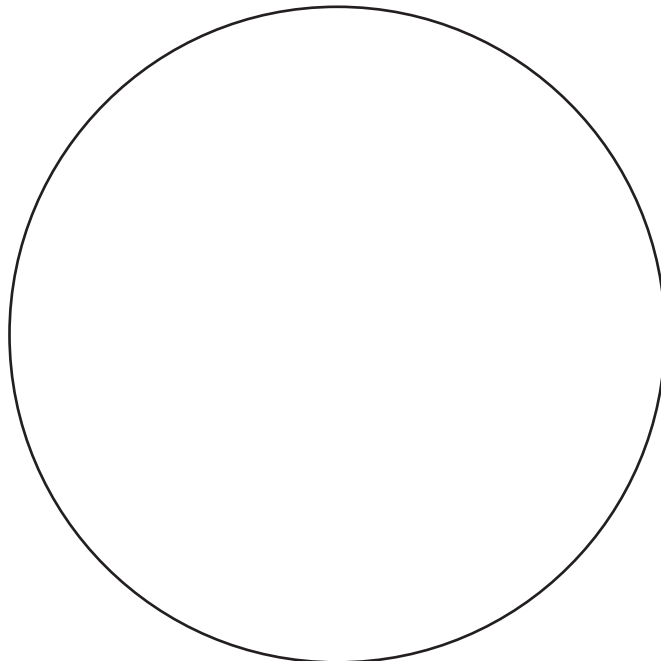
1) How much was deducted from Branchworth's salary?

\_\_\_\_\_

2) What's Branchworth's net salary (how much he receives after deductions)?

\_\_\_\_\_

3) Create a pie chart that illustrates the table above, showing the percentage that goes to each deduction as well as Branchworth's net income for the year.



## Answer Key: What ate my paycheck?

Branchworth Farthington is an employee who is unmarried, has no dependents and earns \$35,050 per year. Calculate the percent of Branchworth's annual salary represented by each deduction and fill in the table below.

<b>Tax</b>	<b>Percent</b>	<b>Amount deducted</b>
Federal Income	20 (19.76)	\$6927.07
Medicare	2 (2.05)	\$718.37
Social Security	9 (8.76)	\$3071.70
Illinois State	4 (3.81)	\$1335.52

1) What is the total amount deducted from Branchworth's annual salary?

\$12,052.66

2) What's Branchworth's net salary (how much does he receive after deductions)?

\$22,997.34

3) Create a pie chart that illustrates the table above, showing the percentage that goes to each deduction as well as Branchworth's net income for the year.