

PAYCHECK 101:

What does everything on your paycheck mean?

Paychecks contain a lot of information and some of it is **confusing**. How many times have you looked at a paycheck and wondered, what is FICA and why is it keeping so much of my money?

Here is a brief overview of what each area of the typical paycheck represents, so you know where your money is going.

Gross pay

This is the amount of money you agreed to be paid on an hourly or annual salary basis, including overtime and other forms of pay.

This is what you would receive before any deductions – if there was nothing taken out of your paycheck.



Net pay

This is the amount you take home after deductions are made.

Deduction

This is any amount that is taken out of a paycheck for federal, state and/or local taxes and employee benefits. Some benefits are taken out before taxes (e.g., medical insurance, 401k contributions) and some are taken out after taxes (e.g., garnishments, supplemental life insurance).



Federal income tax (FIT) withholding

This is the amount required by law for employers to withhold from wages to pay taxes. This amount is based on information provided on the employee's Form W-4.

State income tax (SIT) withholding

This is a percentage deducted from an individual's paycheck for state income taxes. All but seven states (AK, FL, NV, SD, TX, WA and WY) have state income taxes.



FICA

This stands for Federal Insurance Contribution Act. This tax includes two separate taxes for employees: Social Security (6.2 percent) and Medicare (1.45 percent). For 2015, employees stop paying the Social Security portion when their wage base reaches \$118,500. The employer's rate is 6.2 percent and 1.45 percent, respectively. Medicare tax wages in excess of \$200,000 will have an additional 0.9% withheld. These two taxes may be combined as one or listed separately on a paycheck stub.

2015 only: a possible 53 weekly paydays.