


Accounting II - Simplified for You

Payroll Calculation & Deductions

Employer Payroll Taxes



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Gross to Net calculations

Sample paycheck & deductions

Gross Pay	(\$10 x 4 hours)		\$400.00
Social Security	(\$400 x 6.2%)	24.80	
Medicare	(\$400 x 1.45%)	5.80	
State Income Tax Withholding		23.00	
Federal Income Tax Withholding		11.00	
Medical Insurance		10.00	\$74.60
Net Pay			\$325.40

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Deductions from Earnings

FICA – Federal Insurance Contributions Act

- Social Security = 6.2% of gross
 - Subject to cap/threshold (2014 - \$117,000)
- Medicare = 1.45% of gross
 - No cap

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Deductions from Earnings

- Federal Income Tax Withholding
 - Pay-as-you-go tax to be applied against individual's income tax liability at year-end
- State & Local Income Tax Withholding
 - If applicable, similar procedure as federal income tax

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Payroll Taxes


Employers are responsible for paying
the following taxes on employees' salaries
& wages

1. FICA Tax (match employees' contribution)

2. Federal Unemployment Compensation Tax (FUTA)

3. State Unemployment Compensation Tax (SUTA)

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Accounting II - Simplified for You

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