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## Take-Home-Pay Calculator

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your annual income (salary) \$ 20000

pay frequency Monthly

file status Single

No. of federal allowances 1

other monthly deductions: \$ 0 401k, etc.

state tax rate 0 % [click here](#) to find out

city tax rate 0 %

are you self-employed ☐ yes ☒ no

Calculate

## Results:

## Monthly Pay of Annual Income of \$20,000.00

	Amount
gross pay	\$1,666.67
federal income tax	\$155.88
social security tax	\$70.00
medicare tax	\$24.17
state income tax	\$0.00
city income tax	\$0.00
deductions	\$0.00
<b>final pay check</b>	<b>\$1,416.63</b>

In the United States, your gross income after tax and deductions is the "actual income" you will bring home. If you are an employee, your employer will withhold your tax and deductions from your paycheck. If you are self-employed, you are responsible for submitting your taxes either every quarter or every year, and paying for your own benefits.

Income taxes in the United States normally contain the following:

**Federal Income Tax**—this is a progressive income tax, which means the tax rate increases as your income grows. Currently, the federal income tax rate tops out at 35%.

**State Income Tax**—Seven states impose no income tax – Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming. In the states that do impose an income tax, the lowest maximum rate is 3%, in Illinois. The highest maximum rate is 10.3%, in California. Most states have a progressive income tax.

**Local/City/Municipal Income Tax**—some cities impose local tax – such as New York City, Philadelphia, etc. The state and local taxes are normally deductible for federal income tax.

**Payroll Tax**—this refers to Social Security tax and Medicare tax. The Social Security tax rate is 12.4% up to an annual maximum (\$110,100 for 2012. Based on the "2010 Tax Act", the Social Security tax rate is 10.4% for 2011 and 2012). The Medicare tax rate is 2.9% with no up limit. If you are self-employed, you are responsible for your full payroll taxes. If you are an employee, your payroll taxes are equally shared by you and your employer, which means your Social Security tax rate is 6.2% at the maximum (4.2% for 2011 and 2012), and your Medicare tax rate is 1.45%.

**Unemployment Tax**—if you are an employee, your employer will pay your unemployment taxes with no deduction from your paycheck. If you are self-employed, you do not need to pay unemployment taxes. Accordingly, you are not qualified for unemployment benefits upon the termination of your self-employment status.

In addition to taxes, there may be deductions from your paycheck for various reasons – most commonly, Employer-sponsored retirement savings and the shared cost of benefits. Normally, employer-sponsored retirement savings refers to 401K plan. Many employers provide 401K plans and "match" your savings. Some employers provide pension benefits. Pension benefits should be fully covered by the employer with no deduction from your paycheck. The shared cost of benefits refers to the partial benefit cost that many employers require employees to share, such as medical insurance, dental insurance, life insurance, and disability insurance. Medical spending plans and 529 college savings plans are other common deductions. Self-employed people are responsible for paying all benefit costs themselves. Most of these benefit costs are tax-deductible.

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