

# Paycheck Analysis Worksheet

## Chapter 1.3: Income and Taxes

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### Understanding the Components of a Paycheck

This worksheet will help you analyze sample paychecks to understand the relationship between gross income and net income, identify different types of deductions, and calculate the impact of those deductions on take-home pay.

#### Key Terms Review

- **Gross Income:** The total amount earned before any deductions are taken out
- **Net Income:** The amount actually received after all deductions (take-home pay)
- **Mandatory Deductions:** Required deductions such as federal income tax, state income tax, and FICA taxes (Social Security and Medicare)
- **Voluntary Deductions:** Optional deductions such as retirement contributions, health insurance premiums, and other benefits

## Example Paycheck #1: Entry-Level Office Assistant

**Employee:** Maria Rodriguez

**Pay Rate:** \$18.00/hour

**Position:** Office Assistant

**Hours Worked:** 80

**Pay Period:** 1/1/2025 - 1/15/2025

**Pay Date:** 1/22/2025

Earnings	Rate	Hours	Current	YTD
Regular	\$18.00	80	\$1,440.00	\$1,440.00
<b>Gross Pay</b>			\$1,440.00	\$1,440.00

Deductions	Current	YTD
Federal Income Tax	\$158.40	\$158.40
Social Security Tax	\$89.28	\$89.28
Medicare Tax	\$20.88	\$20.88
State Income Tax	\$72.00	\$72.00
Health Insurance	\$75.00	\$75.00
401(k) Contribution (3%)	\$43.20	\$43.20
<b>Total Deductions</b>	<b>\$458.76</b>	<b>\$458.76</b>

<b>Net Pay</b>	<b>\$981.24</b>
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### Analysis Tasks

#### Deduction Calculations

Total Mandatory Deductions	\$ <input type="text"/>	% of Gross Pay <input type="text"/>
Total Voluntary Deductions	\$ <input type="text"/>	% of Gross Pay <input type="text"/>
Total All Deductions	\$ <input type="text"/>	% of Gross Pay <input type="text"/>

Net Pay Percentage

% of Gross Pay

**1. What percentage of Maria's gross income goes to taxes (federal, state, and FICA combined)?**

**2. How would Maria's take-home pay change if she increased her 401(k) contribution from 3% to 6%?**

**3. If Maria lived in a state with no income tax, how much more would she take home each pay period?**

## Example Paycheck #2: Mid-Level Software Developer

**Employee:** James Wilson

**Pay Rate:** \$45.00/hour

**Position:** Software Developer

**Hours Worked:** 80

**Pay Period:** 1/1/2025 - 1/15/2025

**Pay Date:** 1/22/2025

Earnings	Rate	Hours	Current	YTD
Regular	\$45.00	80	\$3,600.00	\$3,600.00
<b>Gross Pay</b>			\$3,600.00	\$3,600.00

Deductions	Current	YTD
Federal Income Tax	\$612.00	\$612.00
Social Security Tax	\$223.20	\$223.20
Medicare Tax	\$52.20	\$52.20
State Income Tax	\$216.00	\$216.00
Health Insurance	\$120.00	\$120.00
401(k) Contribution (6%)	\$216.00	\$216.00
Health Savings Account	\$50.00	\$50.00
<b>Total Deductions</b>	<b>\$1,489.40</b>	<b>\$1,489.40</b>

<b>Net Pay</b>	\$2,110.60
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### Analysis Tasks

Deduction Calculations		
Total Mandatory Deductions	\$ <input type="text"/>	% of Gross Pay <input type="text"/>
Total Voluntary Deductions	\$ <input type="text"/>	% of Gross Pay <input type="text"/>

Total All Deductions	\$ <input type="text"/>	% <input type="text"/> % of Gross Pay
Net Pay Percentage	<input type="text"/>	% of Gross Pay

**1. Compare the percentage of income that goes to taxes for James versus Maria. What do you notice about how the tax burden changes at different income levels?**

**2. James contributes 6% to his 401(k) while Maria contributes 3%. How much more is James contributing in actual dollars? As a percentage of income, who is contributing more to voluntary deductions overall?**

**3. If James were to increase his 401(k) contribution to 10%, how would it affect his take-home pay? Calculate both the dollar amount change and the percentage change.**

## Comparative Analysis and Reflection

**1. What patterns do you notice in mandatory deductions (taxes) across different income levels?**

**2. Why might someone choose to have voluntary deductions like retirement contributions, even though they reduce take-home pay?**

**3. How important is it to understand the difference between gross and net income when budgeting? What might happen if someone budgeted based on their gross income?**

**4. If you had to choose between a job with a higher gross salary but more deductions, or a lower gross salary but fewer deductions, what factors would you consider in your decision?**

