

# **W-4 Simulation Worksheet**

## **Chapter 1.3: Income and Taxes**

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### **Understanding the W-4 Form**

The W-4 form, officially titled "Employee's Withholding Certificate," is completed when starting a new job. It helps your employer determine how much federal income tax to withhold from your paycheck. Making proper choices on your W-4 is important for your financial planning, as it affects your take-home pay throughout the year and your tax situation when filing your annual return.

#### **Scenario: Jordan Rivers**

Jordan Rivers is a high school student who just got hired for a part-time job at a local coffee shop. Jordan will be working 15 hours per week at \$15 per hour. Jordan is single, has no dependents, and this is Jordan's only job. Jordan wants to fill out the W-4 form correctly to ensure appropriate tax withholding.

## **W-4 Form Simulation**

## **Employee's Withholding Certificate (Form W-4)**

### **Step 1: Personal Information**

Name: Jordan Rivers

Address: 123 Main Street, Anytown, CA 12345

Social Security Number: XXX-XX-1234

#### **Filing Status (Select one):**

**Single or Married filing separately**

**Head of household**

**Married filing jointly**

**Qualifying widow(er)**

#### **Explanation for filing status selection:**

### **Step 2: Multiple Jobs or Spouse Works**

Complete this step if you (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works.

**Use the estimator at [www.irs.gov/W4App](http://www.irs.gov/W4App)**

**Use the Multiple Jobs Worksheet on page 3**

**If there are only two jobs total, check this box**

#### **Explanation for multiple jobs selection:**

### **Step 3: Claim Dependent and Other Credits**

If your total income will be \$200,000 or less (\$400,000 or less if married filing jointly):

**Multiply the number of qualifying children under age 17 by \$2,000: \$**

Enter amount

**Multiply the number of other dependents by \$500: \$**

Enter amount

**Add amounts and enter total here: \$**

Enter amount

**Explanation for dependent credits:**

### **Step 4: Other Adjustments (Optional)**

**(a) Other income (not from jobs): \$**

Enter amount

**(b) Deductions: \$**

Enter amount

**(c) Extra withholding: \$**

Enter amount

**Explanation for other adjustments:**

### **Step 5: Sign Here**

I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.

**Signature:**

Sign here

**Date:**

MM/DD/YYYY

## Analyzing Withholding Impact

Now that you've completed the W-4 form for Jordan, let's analyze how your choices would impact Jordan's paycheck and tax situation.

### Paycheck Impact Analysis

Based on the choices you made on Jordan's W-4, estimate the impact on Jordan's paycheck:

<b>Weekly Gross Pay (15 hours × \$15/hour)</b>	\$225.00
<b>Estimated Federal Tax Withholding</b>	\$_____
<b>Estimated FICA Taxes (7.65%)</b>	\$17.21
<b>Estimated Weekly Net Pay</b>	\$_____

**How would your withholding choices affect Jordan's weekly budget?**

## Year-End Tax Impact

Consider how the withholding choices will affect Jordan's year-end tax situation:

**Based on your W-4 selections, do you expect Jordan to:**

**Receive a tax refund**

**Owe additional taxes**

**Break even (no refund or additional taxes)**

**Explain your reasoning:**

## **W-4 Adjustment Scenarios**

Consider how the following life changes would affect Jordan's W-4 form and required withholding:

**Scenario 1: Jordan starts a second part-time job at a retail store. How should the W-4 be adjusted?**

**Scenario 2: Jordan enrolls in college and becomes eligible for education tax credits. How should the W-4 be adjusted?**

**Scenario 3: Jordan gets married. How should the W-4 be adjusted?**

## Reflection Questions

**1. How does properly completing a W-4 form help with financial planning throughout the year?**

**2. Why is it important to update your W-4 when you experience major life changes?**

**3. What are the potential consequences of having too little tax withheld from your paycheck?**

**4. What are the potential consequences of having too much tax withheld from your paycheck?**