

# Your Paycheck, Explained

Earnings	rate	hours	this period	year to date
Regular	10.00	32.00	320.00	16,640.00
Overtime	15.00	1.00	15.00	780.00
Holiday	15.00	8.00	80.00	4,160.00
<b>Gross Pay</b>			<b>\$415.00</b>	21,580.00
Deductions	Statutory			
	Federal Income Tax		- 40.60	2,111.20
	Social Security Tax		- 28.05	1,458.60
	Medicare Tax		- 6.56	341.12
	State Income Tax		- 8.43	438.36
Other				
	401(k)		- 28.85	1,500.20
	Life Insurance		- 5.00	50.00
<b>Net Pay</b>			<b>\$297.51</b>	

## Earnings Statement

Period ending: 00/00/0000  
Pay date: 00/00/0000

**John Doe**  
101 Main Street  
Anytown, USA 12345

Benefits	this period	year to date
Vac. Hrs	0.32	40.31
Sick Hrs	0.02	16.73
	0.25	

**Deductions:** Employers can take out wages based on employee benefits. Deductions can also come in the form of mandated court order, called an Earnings Withholding Order.

### Employer Contributions

Employers can make specific contributions on behalf of their employees. These elections may include the employer portion of the FICA tax (more on those below) or contributions to 401(k) or retirement accounts. Some employers offer to match a percentage of their employees' contributions to their retirement plans, as an example.

**FICA Contributions:** As part of the Federal Insurance Contributions Act (FICA), employers and employees are required to contribute to Social Security and Medicare. They contribute equal amounts: the employer-half is paid by the employer, and the employee half is withheld from employee paychecks.

**Withholdings:** All employers are required by law to withhold an employee's share of federal and state income taxes each pay period. Depending on location, these tax withholdings can also include local or city income taxes. The amount withheld depends on the number of exemptions indicated on the W-4 form that you filled out when hired. If life circumstances change throughout the year, you can change your number of exemptions at any time.

**For Contractors:** When working and getting paid as a contractor and not as an employee, the contractor sees total gross wages on every paycheck. That's because the contractor is responsible for making tax payments on their own. These payments can occur in the form of estimated quarterly tax payments or annual payments.

### Gross Wages

This represents the amount of money earned by an employee before tax deductions and other withholdings.

### Hours Worked

This number is straightforward for employees who work 40 hours per week but will likely fluctuate for hourly employees. In sum, it's the number of hours worked by an employee for both the specific pay period and year-to-date.

### Taxes

Pay stubs list the amount of money each employee has paid toward federal taxes and state taxes. These tax deductions are mandatory, although an employee can opt for additional withholdings (indicated when completing their W-4 form).

### Accrued Vacation, Sick Days, or PTO

If employees get vacation or sick time (sometimes referred to as paid time off or PTO), these accruals should appear on every pay stub. This allows employees to quickly reference how much PTO they have left without needing to contact the human resources department.

### Net Pay

This is the amount of the paycheck or direct deposit that the employee "takes home" after all deductions, contributions, and taxes.