
Managing Finances in the United States- Understanding Your Paycheck and Pay Stub



The Northeast Farm and Ranch
Stress Assistance Network

Working in the United States may be different than working in your home country. Your **wage rate** as a farmworker depends on the job you are hired to do and your experience. When you work for an employer, you are required to fill out employment forms. One of those forms is called a **W4 form, also called an Employee's Withholding Certificate**. Your employer and the federal government use this to estimate how much money you should pay toward taxes each pay period.



How Do I Get the Money I Have Earned?

You should receive a paycheck and a pay stub that is the payment for your wages. You may be paid in a number of ways:

- **Cash** – money in coins or paper notes.
- **Paycheck** - a written order signed by the employer directing a bank to pay a specified sum to a named person (employees) for salary or wages.
- **Direct Deposit** - refers to the electronic deposit of money into a bank account rather than through a physical paper paycheck.
- **Payroll Debit Cards** - these debit cards (which are issued by the employer) are automatically loaded with the employee's wages. The cards can be used like a debit card to make purchases, receive cash back from purchases, and withdraw money from an ATM. An employee should be careful to use these cards in places where there are no withdrawal fees, otherwise they are reducing their wages.

What Information Does a Pay Stub Include?

A **pay stub** or earnings statement is a piece of paper that is given to an employee with each paycheck that shows the amount of money that the employee earned and the amount that was removed deducted from their paycheck. It includes information about the employer, the employee, the **wage rate**, the number of hours worked, and any **payroll deductions** that were removed deducted? from the total wages or **gross wages** because of the variety of **taxes** or **employee benefits** offered by your employer. It will also include the **net wages**. It also includes total earnings and deductions for the year. A pay stub will be attached if you receive your wages by a paycheck.

Tax **payroll deductions** will normally include federal, state, and local taxes. It will also include payroll deductions for Medicare (FICA MED Tax), Social Security (FICA SS Tax), and depending on the state or location of the business there may be additional taxes. There may also be deductions for **employee benefits**.

It is important to review your pay stub to be sure it is correct. It can be confusing, so ask your employer if you have questions.

My Co-worker and I Have the Same Job and Get Paid the Same Amount; why Are Our Paycheck Amounts Different?

Paycheck amounts could be different for several reasons. It might be that you worked a different number of hours or produced a different number of units than your co-worker. Additionally, you may have filled out the W4 - Employee's Withholding Certificate forms differently. This form asks questions about your marital status and number of children. The answers to these questions will influence the amount of taxes withheld.



How Do I Know What the State and Federal Tax Will Be?

In the United States, there are national and state income taxes. Federal and state tax rates are based on income. The less you make the less the taxes you pay. Rates can change each year. You can do a web search to find the latest tax rates for the US, the state you are living and working in as well as any local taxes. Often using a free tax calculator from Turbo Tax, HR Block or irscalculators.com/tax-calculator. You will need to have your information ready to add to the calculator.

Understanding Your Pay Stub - A Case Story for Dani

Dani earns \$15.00 per hour and works 60 hours each week. Dani is single with no dependents and does not earn money from other jobs. Dani wants to understand how the amount of money they receive each week is calculated to understand better the deductions withheld. Below is the second pay stub of the year. This is what a typical **pay stub** looks like:

| PAY STUB or EARNINGS STATEMENT | | | | | |
|--------------------------------|------------------------|--------------------------------|--------------------|----------------|--------------|
| EMPLOYEE NAME | SOCIAL SECURITY NUMBER | EMPLOYEE IDENTIFICATION NUMBER | CHECK NUMBER | PAY PERIOD | PAY DATE |
| Dani | XXX-XX-XXXX | 121212 | 1375 | 1/9/22-1/16/22 | 1/17/2022 |
| WAGE RATE HOURS | | GROSS WAGES | PAYROLL DEDUCTIONS | CURRENT TOTAL | YEAR TO DATE |
| \$ 15.00 | 60 | \$ 900.00 | FICA MED TAX | \$ 13.05 | \$26.10 |
| | | | FICA SS TAX | \$ 55.80 | \$ 111.60 |
| | | | FED TAX | \$ 58.47 | \$ 116.94 |
| | | | STATE TAX | \$ 40.36 | \$ 80.72 |
| YTD GROSS | YTD DEDUCTIONS | YTD NET WAGES | TOTAL | DEDUCTIONS | NET WAGES |
| \$ 1800.00 | \$ 335.38 | \$ 1464.62 | \$ 900.00 | \$ 167.69 | \$ 732.31 |

Dani can use these definitions to understand the information in the boxes of the pay stub.

Social Security Number - a numerical identifier assigned to U.S. citizens and other residents to track income and used to determine benefits.

Employee Identification Number – a number designated by the employer used to track payment information.

Check Number - the number of the check given to the employee.

Pay Period – the length of time over which employee time is recorded and paid for.

Pay Date – the date the payment is made.

Wage Rate – is the amount of money paid per hour or unit.

Hours – is the number of hours worked this pay period.

Payroll Deductions - an amount withheld by an employer from the gross wages of an employee to pay taxes or employee benefit costs.

FICA MED TAX – is label used to identify the Medicare payroll tax deduction

FICA SS TAX – is the label used to identify the Social Security payroll tax deduction

FED TAX – is the label used to identify federal income tax deduction

STATE TAX – is the label used to identify state income tax deduction

Gross Wages - is the amount of money you make before your taxes are taken out and is

calculated by multiplying the number of hours work times the Wage Rate.

Net Wages - the amount of money you make after taxes and deductions are taken out

Payroll Deductions - the wages withheld from an employee's total earnings for the purpose of paying for taxes and benefits.

Current Total – the amount deducted for the current pay period.

Year to Date (YTD) – total amount of deductions or income paid so far in the current year.

Important Words to Know

Wage Rate is the amount of money paid to a worker based on a unit of time (as in hour or day) or per unit of output (if based on piece work).

W4 Form/ Employee's Withholding Certificate – a form used to estimate the amount of federal and state taxes to be withheld based on marital status and number of children.

Paycheck is a check for salary or wages made out to an employee. A check is used to transfer money from the employer to the employee.

Payroll Deductions are wages withheld from an employee's total earnings for the purpose of paying for taxes and benefits.

Gross Wages is the amount of money you make before your taxes are taken out.

Net Wages is the amount of money you make after taxes and deductions are taken out.

Medicare tax is a tax deduction from each paycheck to pay for Medicare Part A, which provides hospital insurance to citizens over 65 years of age and people with disabilities.

Social Security Tax is taken out of each paycheck and goes into a fund retirement, disability, and survivorship benefits for people over 65 or people with disabilities.

Federal Income Tax rates are based on your income and are used to provide for national public services and programs.

State Income Tax rates are based on your income and use taxpayer dollars to state related public services and programs

Employee Benefits are a form of compensation paid by employers to employees over and above regular wages. Examples include healthcare or health and/or disability insurance premiums.

Bank Account an arrangement made with a bank whereby someone may deposit and withdraw money.

Additional documents in this Managing Money in the US series in English and Spanish can be found at this website: farmaid.org/cultivemos.

Developed by Maria Pippidis, Family and Consumer Science Extension Educator, University of Delaware Cooperative Extension, Sheila Marshman, Associate Professor, SUNY Morrisville.



This work is licensed under the Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License. To view a copy of this license, visit <http://creativecommons.org/licenses/by-nc-nd/4.0/>. You must provide attribution if you use these materials, and you may use them for educational purposes only. You may not sell or amend these materials without express permission of the authors.



This work was funded through the Northeast Farm and Ranch Stress Assistance Network grant coordinated by the National Young Farmers Coalition. This work is supported by the Farm and Ranch Stress Assistance Network (FRSAN) project, grant no. 2020-70028-

32729 from the U.S. Department of Agriculture, National Institute of Food and Agriculture. Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the author(s) and should not be construed to represent any official USDA or U.S. Government determination or policy.