



# Simulating Life... What People Earn Calculating Paychecks, Budgets & Taxes



## PART I: Paycheck Deductions: Congratulations...you just landed your first job!

My job is \_\_\_\_\_making \$\_\_\_\_\_annually.

- Calculate your monthly and bi-weekly gross/net income based on this salary.
- Then calculate your net income using the following withholding amounts for: Federal Income Tax 15%, F.I.C.A 7.65% (Social Security 6.2% and Medicare 1.45%), Pennsylvania State Income Tax 3.07% and Local Income Tax 1%
- Use the provided chart to fill in the numbers and be sure to show your work.

## PART II: Prepare a Budget

Now that you know how much you can expect to bring home, you can allocate your paycheck. Here's a general guide to help you budget your money to make sure your expenses are covered. Please note that the percentages may vary depending on where you live!

Housing 30%	Savings 10%
Utilities 10% (phone, electric, water & sewer)	Clothing 5%
Food 15% (at home & away)	Entertainment 5%
Transportation 10% (includes car loan)	Car Insurance & Personal Expenses 5%
Debt Repayment 10% (student loans & credit cards)	

- Calculate the amount of money you can spend on each category per month.
- Use the provided chart to fill in the numbers and be sure to show your work.

### PART III: File your TAXES

Now that you're a working person you'll need to file a tax return to the IRS! File a 1040EZ tax return using your annual salary from PART I. Remember to use a fictitious Social Security Number when filling out this tax return. Let's assume you are single!

- Use the provided form and a pen
- Enter your gross salary on line 1
- Enter zero (0) on lines 2 & 3
- Complete line 4
- Answer NO on line 5 and enter the appropriate figure
- Complete line 6
- Enter 15% of your salary on line 7
- Enter zero (0) on line 8
- Complete line 9
- Figure your income tax using the provided percentages/numbers below & enter it on line 10
- Leave line 11 blank
- Complete line 12
- Complete line 13
- Complete line 14 if line 12 is larger than line 9
- Remember to sign and date your tax return

#### **Single**

If taxable income is over—	but not over—	the tax is:
\$0	\$9,075	10% of the amount over \$0
\$9,075	\$36,900	\$907.50 plus 15% of the amount over \$9,075
\$36,900	\$89,350	\$5,081.25 plus 25% of the amount over \$36,900
\$89,350	\$186,350	\$18,193.75 plus 28% of the amount over \$89,350
\$186,350	\$405,100	\$45,353.75 plus 33% of the amount over \$186,350
\$405,100	\$406,750	\$117,541.25 plus 35% of the amount over \$405,100
\$406,750	no limit	\$118,118.75 plus 39.6% of the amount over \$406,750

Part I: Payroll Deductions

Show Work to Earn Full Credit

Annual Salary:

Monthly:

Bi-Weekly Gross Pay:  
(26 pays/year)

Paycheck Withholding

Gross Pay:

Federal Income Tax:

F.I.C.A:

PA State Income Tax:

Local Income Tax:

Net Pay:

Monthly Net Income:

PART II: Monthly Budget Allocations

Expenses	Percentage	Amount Budgeted	Show Work
Housing	30%		
Utilities	10%		
Food	15%		
Transportation	10%		
Debt Repayment	10%		
Savings	10%		
Clothing	5%		
Entertainment	5%		
Car Insurance & Misc. Personal Expenses	5%		

### PART III: Taxes

Show your math calculations for the following lines in the Form 1040EZ for full credit:

Line 7:

Line 10:

### PART IV: Reflection

Answer the following questions thoroughly, in complete sentences after completing this project.

- A. What was the most difficult part of this assignment? Explain why.
  
  
  
  
  
  
  
  
  
  
- B. What did you learn about some of the financial responsibilities of being an adult from this project?
  
  
  
  
  
  
  
  
  
  
- C. Why do you think some people pay tax preparers to do their taxes for them?
  
  
  
  
  
  
  
  
  
  
- D. Other than the job you had, how realistic was this simulation? Explain.
  
  
  
  
  
  
  
  
  
  
- E. How could this project be improved?

