

# You and Your Paycheck



## What to Expect When You Get Your First Job

Congratulations on joining the workforce! As an employee, you'll be earning your own money, and spending or saving that money as you see fit. But being a wage earner comes with certain responsibilities, like paying taxes. This fact sheet describes what you can expect.

### Social Security Numbers

Before you can start your first job, you'll need to have a Social Security Number (SSN). You probably were assigned this number soon after you were born. If you don't already know the number, ask your parents. If for some reason you don't have a number, you can apply for one online at [www.socialsecurity.gov/online/ss-5.html](http://www.socialsecurity.gov/online/ss-5.html). Or, you can visit your local social security office to get an SSN. Check your phone book for the office nearest you, or check online at [www.socialsecurity.gov/reach.htm](http://www.socialsecurity.gov/reach.htm).

When you get an SSN, an account is set up for you with the Social Security Administration (SSA). Your Social Security Number (SSN) will be your employee identification number for the rest of your career. Once a year, your employer will report your wages to the SSA so they can be credited to your account. When you retire, or if you become disabled, you will be eligible to receive benefits. Those benefits will be based on the amount of money you earn during your career and the number of years you work – beginning with your first job!

The Internal Revenue Service (IRS) and your employer also use your SSN as your taxpayer identification identifier when they do paperwork dealing with your wages and taxes.

## How Much Do I Get and When Do I Get It?

How much you will be paid (also known as your wage or salary) will depend on what you negotiate with your boss. In most instances, your employer will be required to pay you at least a minimum amount per hour. This is known as "the minimum wage." Most states follow the federal minimum wage of \$7.25 per hour, although a few states have a higher minimum wage. (Employers in some states are permitted to pay teenagers a lower "opportunity" wage of \$4.25 per hour for the first 90 days on the job, but after that must raise their pay to at least the minimum wage.) Note: If you work in a restaurant or another type of job where most of your pay is expected to come from tips, your employer has the option to pay you less than the minimum wage, but no lower than \$2.13/hour (and higher in some states). If you don't earn enough in tips to make your wages and tips add up to at least \$7.25 an hour, your employer must pay you the difference.

Your employer will most likely base your pay on an hourly rate. For the most part, it's up to your boss to decide how often you will be paid. You may be paid once a month, twice a month, every two weeks, or every week. As an example, you get a job at your local music store that pays \$7.50/hour. You and your boss agree that you will work one weekend day and several afternoons for a total of 22 hours a week. You get paid every two weeks. Your pay will be:  
 $\$7.50$  (your hourly wage)  $\times$  22 (the number of hours you work each week)  $\times$  2 (the number of weeks in a pay period)  
 $= \$330$

Your pay every two weeks will be \$330...or will it?

### NATIONAL PAYROLL WEEK 2013

National Payroll Week celebrates America's 156 million wage earners and the payroll professionals who pay them.

Together, through the payroll withholding system, they contribute, collect, report and deposit approximately \$1.78 trillion or 70.5% of the annual revenue of the U.S. Treasury. Go to [www.nationalpayrollweek.com](http://www.nationalpayrollweek.com) to learn more.

## Paying Your Fair Share

*“Taxes are what we pay for a civilized society”*

-Oliver Wendell Holmes, Jr.  
U.S. Supreme Court Justice

On your first day of work, expect your employer to give you a bunch of forms to fill out. One of the most important forms is the Form W-4, Employee's Withholding Allowance Certificate. This form helps your employer figure out how much federal income tax to take out of each paycheck. The more allowances you claim, the less taxes you'll have taken out. Unless you have children, chances are pretty good that you'll be eligible to claim just one allowance, for yourself, on the Form W-4.

It doesn't matter how much (or how little) you're earning or that you are just a student or a teenager - you, like other workers in America - still are required to pay certain taxes on your wages. These taxes will be taken directly out of your paycheck by your employer. These taxes are known as payroll taxes. Your employer is required by law to send the money withheld from your pay to various federal and state tax agencies. The money will be added to taxes paid by other workers to pay for schools, roads, national defense, and many other important programs.

Depending on what state you live in, you may also have to fill out a State Employee Withholding Allowance Certificate. Like the federal certificate described above, the state certificate will help your employer figure out how much of your pay to withhold in state income taxes. In addition, a few counties and cities will require you to fill out a form for their taxes, and your employer will withhold the required amount. Your employer also will send your withheld state and local taxes to the appropriate agencies.

And there will be other taxes taken out as well. You may only be a teenager, but when you start earning wages, your employer will begin to subtract money that will pay for your retirement and other benefits under the Social Security program.

## Taxes: Where Did My Money Go?

There are no two ways about it: Taxes are going to take a noticeable bite out of your paycheck.

Gross pay is the total amount of wages you've earned for the pay period. In the example we used earlier, \$330 is your

gross pay after working two weeks. Net pay is the amount of money you actually receive on payday, your "take-home pay." Net pay is your gross pay minus federal, state and local taxes, as well as any other amounts that may need to be taken out.

It's a fact of working life that your net pay will always be less than your gross pay. You don't have to calculate the income taxes that are withheld from your paycheck. That's your employer's job. Your employer will calculate the taxes withheld based on how you completed your Form W-4 and any other withholding certificates. Depending on the state you live in, you could see as much as 10 percent of your pay as a teenager go to federal, state, and local income taxes along with nearly 8% for Social Security and Medicare taxes. In other words, your gross pay might be \$330, but your take-home pay might be closer to \$300.

## Helpful Links

Many government agencies have excellent information that can help you better understand pay, taxes, investments, and savings. Here are some great Web sites that can help you get started:

### IRS - Students

<http://www.irs.gov/Individuals/Students>

### Social Security Administration Hot Questions for Cool Teens

[www.socialsecurity.gov/kids/index.htm](http://www.socialsecurity.gov/kids/index.htm)

### MyPaycheck Web site

[www.mypaycheck.org](http://www.mypaycheck.org)

### TreasuryDirect KIDS

[http://www.treasurydirect.gov/kids/basics/basics\\_sb.htm](http://www.treasurydirect.gov/kids/basics/basics_sb.htm)

### Project Jump\$tart

(Check out the "Links" section)

[www.jumpstart.org/](http://www.jumpstart.org/)

### American Payroll Association

[www.americanpayroll.org](http://www.americanpayroll.org)

APA also offers a video, "Working to the Beat," which explains the concept of taxes to a teenage audience. To order a copy, contact the APA at 210-226-4600.



The American Payroll Association is the professional society for Payroll Professionals. Founded in 1982, the American Payroll Association is dedicated to payroll education, representation of payroll and business interests in Washington, D.C., and public service education of the national work force. With more than 21,000 members across the United States, the APA represents Payroll Professionals working for companies in virtually every industry. Go to [www.americanpayroll.org](http://www.americanpayroll.org) to learn more about the APA