Project 14

Federal Income Tax

Calculating Income Taxes

When you receive your first paycheck, you may be surprised to see that the amount you earned is less than you expected. This is the result of payroll deductions affecting your paycheck. **Payroll deductions** are amounts taken out of your pay for taxes. **Income taxes** are taxes imposed on individuals that vary with the income or profits of the taxpayer. Taxes are used to pay for services such as education, health care, and the military, to name a few. When you review your paycheck, you'll see income tax deductions including Federal income tax, State income tax, Social Security tax, and Medicare tax. **Federal income tax** is collected by the U.S. government and imposed by the Internal Revenue Service (IRS) based on tax tables. **State income tax** is collected by individual state governments and is based on a percentage of your income. **Social Security tax** is paid by both the employer and employee to fund the Social Security system. **Medicare tax** is used to pay for the Medicare (health) program provided to individuals over the age of 65. When you know how payroll deductions and taxes impact your paycheck, you will understand where your money is going and what your actual take-home (net) pay will be.

Project Task

Using Google Sheets, you will use formulas to calculate payroll wages for movie theater employees.

Scenario

As a student in the Workforce Experience program at your school, you have been shadowing the manager of the local movie theater. One of the manager's responsibilities is to calculate payroll every Friday. The manager has asked you to create a spreadsheet with tax deductions to calculate the wages earned by each employee.

Instructions

1. Open the Financial Literacy folder and create a new Google Sheet.

2. Rename the spreadsheet Project 14 Payroll Wages.

3. As you complete this project, refer to **Figure 14** for the content to include in the spreadsheet.

4. Key the data into the spreadsheet left aligned as shown.

   Hint: Format column E as a number displaying 2 decimal places.

   Hint: Resize columns as needed to display the data.

5. Calculate GROSS PAY, all tax deductions, and NET PAY for the first employee as follows:

   a. GROSS PAY = HOURS WORKED x HOURLY RATE

   In cell F10, key =D10*E10

   b. FEDERAL TAX = GROSS PAY x 10%

   In cell G10, key =F10*10%

   Hint: This is estimated based on the IRS tax table.

   c. SOCIAL SEC. TAX = GROSS PAY x 6.2%

   In cell H10, key =F10*6.2%

   d. MEDICARE TAX = GROSS PAY x 1.45%

   In cell I10, key =F10*1.45%

   e. STATE TAX = GROSS PAY x 4.63%

   In cell J10, key =F10*4.63%

   Hint: This percentage is based on the state of Colorado.

   f. NET PAY = GROSS PAY - the sum of all deductions.

   In cell K10, key =F10-(G10+H10+I10+J10)

6. Use Autofill to copy the formulas to the remaining cells for each employee.

7. Format columns F through K as numbers displaying two decimal places.

8. Format rows 1–8 as bold.

9. Carefully proofread your work for accuracy.

10. Change the page orientation to landscape and scale to fit to page.

11. Remove all headers and footers.

12. Share or print the spreadsheet if required by your instructor.

Goo·gle Apps for Learning **Financial Literacy**

Figure 14

	A	B	C	D	E	F	G	H	I	J	K
1	MOUNTAIN VIEW MOVIE THEATER										
2	2264 SUNDOWN LANE										
3	DENVER, CO 80239										
4											
5	PAYROLL FOR WEEK OF JANUARY 14										
6											
7	EMPLOYEE	LAST	FIRST	HOURS	HOURLY	GROSS	FEDERAL	SOCIAL	MEDICARE	STATE	NET
8	NUMBER	NAME	NAME	WORKED	RATE	PAY	TAX	SEC. TAX	TAX	TAX	PAY
9											
10	4878	Armstrong	Laura	32	8.50						
11	1458	Beltran	Omer	25	10.50						
12	5488	Bennett	Blair	10	9.00						
13	2579	Bentley	Andreas	29	8.50						
14	4682	Bradford	Sammie	24	10.75						
15	6977	Carpenter	Velma	18	11.00						
16	2269	Copeland	Tommy	38	9.00						
17	2546	Cuevas	Gina	39	9.00						
18	5566	Day	Aliza	15	8.50						
19	1145	Kramer	Lillie	22	10.50						
20	1125	Levy	Noah	33	11.00						
21	5489	Li	Michael	20	10.50						
22	4147	Mckenzie	James	16	10.50						
23	2112	Morales	Mia	29	10.50						
24	2198	Morris	William	21	9.75						
25	3366	Osborn	Ethan	35	12.00						
26	6478	Reily	Emily	32	10.00						
27	3874	Rivas	Jimarcus	18	9.50						
28	4885	Roth	Madison	15	8.50						
29	4578	Sosa	Veda	11	8.00						