

# **PAYCHECKS**

Employers use **paychecks** to pay employees for their work. Paychecks are usually given out on certain days, such as every Friday, every other Tuesday, or the first and the 15th of each month.

These days, paychecks give much more information than the total amount of pay received. It is important that you understand exactly what your paycheck tells you. You also need to know how to deposit or cash your paycheck.

## **SKILL PREVIEW**

Most paychecks have an attachment called a **paystub** or **pay statement**. This attachment gives information you may want to keep for your records. Do you recognize any of the paystub abbreviations and terms below? Put a check (✓) next to each one you recognize.

- |                                 |   |
|---------------------------------|---|
| <input type="checkbox"/> FICA   | <input type="checkbox"/> SSN            |
| <input type="checkbox"/> DED.   | <input type="checkbox"/> YTD            |
| <input type="checkbox"/> O.T.   | <input type="checkbox"/> REG. HRS.      |
| <input type="checkbox"/> HRS.   | <input type="checkbox"/> FED. WITH. TAX |
| <input type="checkbox"/> HEALTH | <input type="checkbox"/> PAY PERIOD     |

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## **UNDERSTANDING PAYCHECK VOCABULARY**

To understand a paycheck, you need to understand its vocabulary. The definitions below explain paycheck and paystub vocabulary.

**Wage:** payment for hours of work done

**Salary:** fixed amount of money paid at regular times for work done

**Regular Hours (Reg. Hrs.):** hours a person is regularly scheduled to work

**Overtime Hours (O.T.):** hours worked in addition to regular hours

**Gross Pay:** total amount of money earned, before deductions

**Net Pay:** actual amount of your paycheck, after deductions

**Deductions (Ded.):** money taken out of a paycheck to pay for certain things, including

- a) **Federal Withholding Tax (Fed. With. Tax):** money deducted for income taxes paid to the federal government
- b) **State Tax:** money deducted for income taxes paid to the state government
- c) **Medical/Dental Benefits:** deductions related to medical or dental insurance
- d) **Retirement:** money put into funds for payment back to you when you retire
- e) **Vacation:** paid time off from work usually spent in recreation
- f) **Sick Leave:** paid time off from work used when you are sick or caring for a sick family member
- g) **FICA:** Federal Insurance Contributions Act, or Social Security. This is a nationwide insurance program for retired people and disabled people who can't work. Money deducted from each of your paychecks is deposited into Social Security accounts. When you retire, you should receive some of this money in monthly payments.

**Year to Date (YTD):** total amount paid or earned from January 1 through the current paycheck

**Pay Period:** period of time covered by a paycheck

**GUIDED PRACTICE**

Use the definitions on page 26 as you read the paycheck and paystub below.

<b>ABC Company</b> 1001 Cornelia Street New York, NY 10016	57236 Employee #	2-4-93 Date	2-10 1903			
Pay to the Order of <u>Alexander Lew</u>		<b>706.37</b>				
		Amount				
Seven hundred six and <sup>37</sup> / <sub>100</sub>		Dollars				
Payable through: Northern Bank 7 Wall Street New York, NY 00571		<i>Marianne Rochester</i> Marianne Rochester, President				
Employee Name <u>Alexander Lew</u>		Pay Period <u>1-15-93 to 1-31-93</u>				
Employee Number <u>57236</u>		SSN <u>532-00-7329</u>				
This Pay Period Earnings		Deductions		Year to Date		
Type	Hours	Amount	Type	Amount	Description	Amount
Regular	80	\$820.00	Fed. With. Tax	80.00	Earnings	1,620.00
OT	0	0.00	FICA	8.00	Fed. With. Tax	162.00
			State With. Tax	20.00	FICA	17.25
			Union Dues	5.63	State With. Tax	42.00

1. Whom is the check made out to? \_\_\_\_\_

2. What company is the check from? \_\_\_\_\_

You are correct if you answered *Alexander Lew* and *ABC Company*.

**APPLIED PRACTICE 1: INTERPRETING A PAYSTUB**

1. How many hours did Alexander work during this pay period? \_\_\_\_\_

2. How much money has Alexander earned this year to date (YTD)? \_\_\_\_\_

3. How much did Alexander pay for union dues during this pay period? \_\_\_\_\_

4. Did Alexander work any overtime during this pay period? \_\_\_\_\_

5. What is Alexander's employee number? \_\_\_\_\_

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**Reading:** Recognizing task-related words with technical meanings; Using a completed form to locate information to complete a task



**SKILL MASTERY**

**INTERPRET A PAYCHECK**

Using the information below, calculate Luisa's net pay. Then fill in the paycheck and paystub.

Employee: Luisa Ortíz  
 Employee Number: 9783  
 Social Security Number: 450-90-8090  
 Pay Date 12/15/93  
 Pay Period End 12/12/93  
 Regular Hours: 72  
 Overtime Hours: none

Gross pay: \$540.00  
 Fed. With. Tax: \$54.00  
 FICA: \$5.40  
 Union Dues: \$15.00  
 State With. Tax: \$16.50  
 Health Plan: \$18.50  
 Net Pay: \$430.60

DIGITAL PRESS 1474 CONGRESS STREET SAN DIEGO, CA 92110		<input style="width: 100%; height: 20px;" type="text"/> EMPLOYEE ID #	<input style="width: 100%; height: 20px;" type="text"/> PAY DATE
PAY TO THE ORDER OF _____		<input style="width: 100%; height: 20px;" type="text"/> AMOUNT	
		_____ DOLLARS	
PAYABLE THROUGH: FIRST TRUST 494 E. CACTUS SAN DIEGO, CA		SIGNED <u><i>Baxter Jacobs</i></u> BAXTER JACOBS, CFO	

  

P A Y  S T A T E M E N T	Employee ID #	Name	Social Security Number	Pay Date	
	Pay Period End	Regular Hours	Overtime Hours	File Number	Department
				472417	43
	This Pay Period Earnings		Deductions		Year to Date
Gross	Fed. With. Tax FICA State With. Tax		Earnings Fed. With. Tax FICA State With. Tax		
Net	Union Dues Health Plan				

