

Section 2—K MORE Practices for Determining MONTHLY NET PAY 2022

Using the following steps, practice the calculation of Federal, State, FICA and Medicare withholdings for the Situation below (OTHER TAXES BEING ZERO) (SITUATION 2-A-2022):

- Calculate the monthly gross wages (gross monthly wages \times 12 months)
 Determine the taxable monthly wages (gross monthly less allowance amount for status as reported on the W-2)
 Determine the Federal Income Tax to withhold:
 Search the proper tax withholding table for status (single, married, etc. jointly)
 Locate the wages on the table; determine amount which tax applies from it
 Find the amount for the first period
 Determine the amount of income over the first period
 Multiply this income amount by the percentage indicated
 For that Federal Tax to withhold, add the amount of tax to the amount you have above

State tax is determined by multiplying the 4.07% times the taxable monthly wages

Social Security is determined by multiplying the 6.2% times the gross monthly wages up to the threshold of \$147,000 for 2022

Medicare is determined by multiplying the 1.45% times the gross monthly wages

Net pay is determined by subtracting the 4 taxes just calculated from the gross monthly wages

Situation 2: \$400,000.00 = \$33,333.33

(_____) (withholdings)
 \$3,400.00

Federal Tax: \$3,400.00 \times 0.075 = \$255.00 \times 12 = \$3,060.00 \times 0.075 = \$229.50 \times 12 = \$2,754.00

State Tax: \$3,400.00 \times 0.075 = \$255.00

FICA: \$3,400.00 \times 0.075 = \$255.00

Medicare: \$3,400.00 \times 0.0145 = \$49.30

\$3,060.00 Federal Tax

\$255.00 State Tax

\$2,754.00 FICA

\$49.30 Medicare

\$3,118.30 Total Deductions

Net Pay: \$3,400.00 \times 12 = \$40,800.00 \times 12 = \$489,600.00