

MONEY 101 EDUCATION

1.11a - Exercise – Prepare Maria’s W-2

EXERCISE:

You aspire to join Divine Publications' payroll department, where Maria Consuela, a Customer Service Representative, is currently employed.

As part of your job application, the payroll department asks you to complete an exercise to assess your ability to perform payroll calculations.



1. Read and answer the questions below and enter in Column A.
2. Transfer the amounts in Column A to the proper box on the W-2 form.

These numbers for class reference	INFORMATION	COLUMN A Calculate
1	<p>Maria Consuela: Home address is: 1234 Eastern Parkway, Brooklyn, NY 11234. Her social security number is 123-45-6789.</p> <p>She is employed by: Divine Publications USA, located at 1745 Broadway 10019 Their EIN Is 13-5526565</p>	
2a	<p>WAGES – Maria earns \$18.50 per hour. Working - 40-hours per week and received 52 weekly paychecks annually. What is Maria’s annual hourly earnings?</p>	\$
2b	<p>She also earns in commissions \$ 427.</p>	\$
2c	<p>She received a holiday bonus of \$ 500.</p>	\$
2d	<p>What is Maria’s annual GROSS Income?</p>	\$
3a	<p>401K RETIREMENT SAVINGS – Maria participates in the company's Traditional 401K retirement savings plan.</p> <p>She elected to have 5% of her Gross Income deducted from her pay. A traditional plan allows you a tax deduction in the year the contribution was made. (A Roth 401 K contribution does not allow a deduction.) Her traditional 401K contribution is reported in Box 12, with code D. How much does Maria contribute annually to her 401K contribution? W-2 Box 12 with code D</p>	\$

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<p>3b</p>	<p>As an employee benefit, her employer “matches” her contribution - adding 50% of her contribution. The employer match is not reported on the W-2 How much does Divine Publication contribute annually to Maria’s 401K as an employer’s match?</p>	<p>\$</p>
<p>4a</p>	<p>MEDICAL INSURANCE – Maria contributes \$35 weekly towards her health insurance premium. How much does Maria pay annually towards her annual health insurance premium?</p>	<p>\$</p>
<p>4b</p>	<p>Her employer pays an additional \$85 weekly for her health insurance. How much does Divine Publication contribute annually to Maria’s health insurance premium contribution.</p>	<p>\$</p>
<p>4c</p>	<p>The health insurance premium paid by Maria’s and her employer are ADDED TOGETHER and entered on the W-2 in Box 12 code DD How much was the total paid for Maria’s health insurance premium – thus the amount she paid, and the amount paid by Divine Publications? W-2 Box 12 with the code DD</p>	<p>\$</p>
<p>5a</p>	<p>CALCULATING TAXABLE WAGES The Federal Government gives Maria a tax break. They allow her to <u>deduct</u> the amount she contributes towards her Traditional 401K plan AND the amount she pays towards her health insurance premium from her Gross Income to determine her <u>Federal Taxable Income</u> = “Wages” in Box 1 How much is Maria’s annual Federal Taxable Income? W-2 Box 1 – the IRS does not label this box “federal”, but Box 1 is the federal taxable wages.</p>	<p>\$</p>
<p>5b</p>	<p>New York State and New York City allow the same break in determining the state and city taxable income. NYS taxable income = “State Wages” = box 16 How much is Maria’s annual New York State Taxable Income? W-2 Box 16</p>	<p>\$</p>
<p>5c</p>	<p>NY City taxable income = “Local Wages” = box 18 How much is Maria’s annual New York City Taxable Income? W-2 Box 18</p>	<p>\$</p>
<p>6a</p>	<p>Unfortunately, when calculating her TAXABLE Social Security and Medicare income, the <u>only</u> deduction allowed is the amount paid towards health insurance premiums. Thus, unlike the federal, state, and city, Maria cannot deduct her 401K contributions. How much is Maria’s annual Social Security Income? W-2 Box 3</p>	<p>\$</p>

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6b	How much is Maria’s annual Medicare Income? W-2 Box 5	
	CALCULATING WITHHOLDING TAXES Maria completed a W-4 form when she was hired and indicated: <ul style="list-style-type: none"> • single status • 1 exemption (dependent) <p>Based on that status and her earnings, her employer withheld the following taxes during the year as follows:</p>	
7a	10% federal tax - based on her Federal taxable income How much is withheld from Maria’s earnings for Federal Income Tax? W-2 Box 2	\$
7b	6% NY State tax – based of her State taxable income How much is withheld from Maria’s earnings for NY State Income Tax? W-2 Box 17	\$
7c	4% NY City tax – based on her NY City taxable income How much is withheld from Maria’s earnings for NYC Income Tax? W-2 Box 19	\$
7d	6.2% in Social Security tax based on Social Security Income How much is withheld from Maria’s earnings for Social Security Tax? W-2 Box 4	\$
7e	1.45% in Medicare tax based on her Medicare Income How much is withheld from Maria’s earnings for Medicare Tax? W-2 Box 6	\$
7g	0.5% (same as .005) NY State Disability Tax based on her NYS Taxable income, but it is limited to a maximum of 60 cents per week. It is entered in Box 14 with a code SDI How much is withheld from Maria’s earnings for NYS Disability Tax? \ W-2 Box 14 with code “SDI”	\$
7h	0.153% (same as .00153) NYS Family Medical Leave Insurance based on her NYS Taxable Income. It is entered in Box 14 with a Code NYFL How much is withheld from Maria’s earnings for NYS Family Leave? W-2 box 14 with code “NYFL”	\$
8	What is Maria’s NET INCOME?	\$
9	How much did she and her employer contribute together to her Traditional 401K retirement account?	\$