



Junior Achievement *Save, USA*

Take-Home Pay

Middle School Lesson

Jamaal Willis was excited about his first real paycheck. Sure, he had worked during middle school mowing lawns and babysitting a few neighborhood kids, but this was a real job. He was earning \$6 an hour in a Michigan fast-food restaurant. Jamaal already had plans for the \$120 he'd be getting for his 20-hour work week.

When Jamaal tore open the envelope that held his first check, his jaw dropped in disbelief. Instead of \$120, his check was for only \$88.02! Seeing Jamaal's disappointment, his manager, Ms. Carter, took him aside and showed how a number of deductions are made from each worker's check. She listed the amount subtracted from Jamaal's pay:

Jamaal's Gross Pay for 20 Hours:	\$120.00
Deductions, Subtracted from Gross Pay:	
FICA, or Social Security (6.2%)	\$7.44
Medicare (1.45%)	1.74
Federal income tax (15%)	18.00
State income tax in Michigan (4%)	4.80
Jamaal's Total Deductions:	\$31.98
Jamaal's Net Pay: (\$120 - \$31.98)	\$88.02

Now Jamaal understood the numbers, but he wasn't too happy about them. Why did he have to pay taxes? Ms. Carter explained that taxes are used to support government programs such as schools, roads, and police and fire departments. Each taxpayer pays a small portion to maintain these programs, and everyone benefits from them.

Later that day, Jamaal took his check to the bank and deposited it in his checking account. Now he would be able to write checks to buy what he wanted. He went to the music shop and picked out a \$14.99 music CD for his mom for her birthday. Of course, when he got to the counter, he

discovered that he'd have to write a check for \$15.89, the price of the CD plus 6% sales tax! Not only did he get less in his paycheck than he expected, but the things he wanted to buy cost more than he expected. This tax thing was really eating up his earnings!

The moral of Jamaal's story is this: When you plan your expenses, be sure to take into account the taxes that are deducted from your pay and the taxes that are added to your purchases. Otherwise, you might find yourself with a budget deficit (not enough money) at the end of the month.

Activity for Middle School

Calculate the total cost of Jamaal's purchases; then write checks for Jamaal, buying the items below. Don't forget to keep a record using the check register. Keep in mind that Michigan's sales tax rate is 6%. Calculate tax like this: $\text{Cost of Item} + 6\% \text{ of the Cost} = \text{Cost of Item plus Tax}$
**Multiply the Cost of Item times 0.06 to get 6% of the Cost.*

Store	Items Purchased	Cost	Tax (6%)	Total Cost with Tax
Boomer's Music Shop	Elvis CD for Mom	\$14.99	\$0.90	\$15.89
Boundary Book Store	School Supplies	\$17.96		
Classic T-Shirts	Basketball Shirt	\$20.00		
Deuce Hardware Store	Combination Lock	\$5.50		
Sal's Sporting Goods	Tennis Balls	\$6.99		



Interesting Link

Internal Revenue Service, 2008 Tax Table.
<http://www.irs.gov/pub/irs-pdf/i1040tt.pdf>

This site has a federal income tax table that illustrates how much tax is due for an individual, married couple filing jointly, and others.


Check Register

Check No.	Date	Transaction Description	Payment	Deposit	\$ BALANCE
	12/8/05	Pay Check		\$88.02	
324	12/10/05	CD for Mom	15.89		\$72.13

Jamaal Willis
 1234 Main Street
 Anywhere, MI 20973

Date December 10, 2009 **No. 324**

Pay to the order of Boomer's Music Shop \$ 15.89
Fifteen dollars and 89 cents Dollars

 THE BIG BANK ANYWHERE, USA


Memo Elvis CD for Mom/.90 tax Jamaal Willis

03482 9387383 0384735763 012345

Jamaal Willis
 1234 Main Street
 Anywhere, MI 20973

Date _____, 2009 **No. 324**

Pay to the order of _____ \$ _____
 _____ Dollars

 THE BIG BANK ANYWHERE, USA

Memo _____

03482 9387383 0384735763 012345

Jamaal Willis
1234 Main Street
Anywhere, MI 20973

Date _____, 2009

No. 324

Pay to the order of _____ \$

_____ Dollars



THE BIG BANK
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About JA Worldwide® (Junior Achievement)

Junior Achievement is the world's largest organization dedicated to inspiring and preparing young people to succeed in a global economy. Through a dedicated volunteer network, Junior Achievement provides in-school and after-school programs for students which focus on three key content areas: work readiness, entrepreneurship, and financial literacy. Today, 137 individual area operations reach more than four million students in the United States, with an additional five million students served by operations in 123 other countries worldwide. For more information, visit www.ja.org.