

**21<sup>st</sup> Century Employability Skills  
Homework Packet  
March 23<sup>rd</sup> – March 27<sup>th</sup>**

Students, please complete this packet on days that we would normally have class (Monday and Thursday). Although school has been cancelled, I want to ensure that you are still getting the necessary work to keep your minds fresh and ready for when we return back to school.

**Day #1**

Quick Start:

Please complete Journal Entry #5 #28 #48.

Activity: Complete “Income Tax Basics” Worksheet

Reminder: Keep working on your final speech

**Day #2**

Quick Start:

Please complete Journal Entry #25 #30 #50.

Activity: Complete “Credit and Credit Cards” Worksheet

Reminder: Keep working on your final speech

# Notes 4.2 Income Tax Basics

<b>Goals</b>	Understand the different types of income taxes.
	Make tax estimates based on the progressive tax system.
	Tax Concepts and Vocabulary
<b>Income Taxes</b>	<b>Federal income tax</b> – a progressive, graduated tax based on adjusted gross income
	<b>Social Security tax</b> – In general, the employee contributes 6.2% of their total <i>earned</i> income (up to a limit) to Social Security until their income exceeds \$128,700 in 2018. The employer also pays 6.2% for a total of 12.4%.
	<b>Medicare tax.</b> - The 2018 rate for Medicare is 1.45% for the employer and 1.45% for the employee, or 2.9% total.
	<b>State and Local income taxes</b> –

## W-2 Wage and Tax Statement

22222	Void <input type="checkbox"/>	<b>a Employee's social security number</b> 123-45-6789	<b>For Official Use Only ▶</b> OMB No. 1545-0008			
<b>b Employer identification number (EIN)</b> 35-1234567		<b>1 Wages, tips, other compensation</b> 34,676.17		<b>2 Federal income tax withheld</b> 3,857.29		
<b>c Employer's name, address, and ZIP code</b> ABC Corp 123 Fake Street Somewhere, IN 01234		<b>3 Social security wages</b> 40,676.17		<b>4 Social security tax withheld</b> 2,521.92		
		<b>5 Medicare wages and tips</b> 40,676.17		<b>6 Medicare tax withheld</b> 589.71		
		<b>7 Social security tips</b>		<b>8 Allocated tips</b>		
<b>d Control number</b>		<b>9</b>		<b>10 Dependent care benefits</b>		
<b>e Employee's first name and initial</b>		<b>Last name</b>	<b>Suff.</b>	<b>11 Nonqualified plans</b>		
Simon Smith 456 That Road Somewhere, IN 01234		<b>13 Statutory employee</b> <input type="checkbox"/> <b>Retirement plan</b> <input checked="" type="checkbox"/> <b>Third-party sick pay</b> <input type="checkbox"/>		<b>12a See instructions for box 12</b> E 6,000.00		
		<b>14 Other</b>		<b>12b DD</b> 6,157.00		
				<b>12c</b>		
<b>f Employee's address and ZIP code</b>				<b>12d</b>		
<b>15 State</b> IN	<b>Employer's state ID number</b> 53123456789012	<b>16 State wages, tips, etc.</b> 34,676.17	<b>17 State income tax</b> 1227.10	<b>18 Local wages, tips, etc.</b> 34,676.17	<b>19 Local income tax</b> 420.86	<b>20 Locality name</b> 21

Form **W-2** Wage and Tax Statement **2018**  
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Department of the Treasury — Internal Revenue Service  
 For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

1. A married couple earned combined wages of \$94,000. They have no children and made no 401(k) or other pre-tax contributions. They will claim the standard deduction. Their state allows an exemption of \$1000 per person for a total deduction of \$2000. Their state tax is a *flat tax* rate of 5%.

a) Estimate the amounts of Federal and State taxes the couple will owe in 2018.

b) Their employers withheld \$12,600 for Federal income taxes. Determine whether they will get a federal tax refund or owe federal taxes.

c) Their employers withheld \$4,000 for State taxes. Determine whether they will get a state tax refund or owe state taxes

2. Simon Smith (see W2 on previous page) contributed \$6000 to a tax-advantaged 401(k) plan. This reduced his federal, state, and local taxable income by \$6000. It did not reduce the income subject to the Social Security and Medicare taxes.

a) Determine the amounts of Social Security and Medicare taxes Simon should have had withheld.

b) Simon chooses the standard deduction. Determine the amount of federal tax Simon owes for tax year 2018. Round to the nearest whole dollar.

c) Will Simon receive a tax refund, or will he owe additional federal taxes?

## Homework 4.2 Income Taxes

Name \_\_\_\_\_

Date \_\_\_\_\_ Period \_\_\_\_\_

1. Howie Jones earned \$36,000 in 2018. He contributed \$200 per month to a 401(k) plan. His state and local taxes were a flat tax rate of 5% total. His employer withheld \$2800 for federal taxes and \$1600 for state and local taxes.
  - a) Determine the amounts of Social Security and Medicare taxes Howie should have had withheld.
  
  
  
  
  
  
  
  
  
  
  - b) Howie will take the standard deduction. Determine the amount of federal tax Howie owes for tax year 2018. Round to the nearest whole dollar.
  
  
  
  
  
  
  
  
  
  
  - c) Will Howie receive a tax refund or will he owe additional federal taxes?
  
  
  
  
  
  
  
  
  
  
  - d) In Howie's state he can claim a \$1000 personal exemption, but no deductions. Determine the amount of state and local tax that Howie owed for 2018. Round to the nearest whole dollar.
  
  
  
  
  
  
  
  
  
  
  - e) After taxes and 401(k) contributions are deducted, what was Howie's net monthly income?

## Activity 4.2 Do Your Taxes

Name \_\_\_\_\_

Date \_\_\_\_\_ Period \_\_\_\_\_

Sarah Student is a high school student, who lives with her parents. She can be claimed as a dependent on their return and has no children. Her birthdate is January 1, 2003.

In addition to her part time job, she earned \$20 in interest income on a savings account at her bank, MyBank. The interest was reported on a 1099-Int statement. Her W-2, Wage and Tax Statement, is below.

Use the current year 1040 and your state tax forms to complete a paper return for Sarah, then complete a free online return for Sarah and compare your results.

22222		Void <input type="checkbox"/>	a Employee's social security number 123-45-6789		For Official Use Only OMB No. 1545-0008		
b Employer identification number (EIN) 35-1234567			1 Wages, tips, other compensation 5999.13		2 Federal income tax withheld 636.31		
c Employer's name, address, and ZIP code  ABC Corp 123 Fake Street Anyville, IN 47331			3 Social security wages 5999.13		4 Social security tax withheld 371.94		
			5 Medicare wages and tips 5999.13		6 Medicare tax withheld 86.99		
			7 Social security tips		8 Allocated tips		
d Control number			9		10 Dependent care benefits		
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans	
Sarah Student		123 This Blvd		Anyville, IN 47331		12a See instructions for box 12	
f Employee's address and ZIP code			13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		12c 12d
			14 Other				
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	
IN	35123456789000	5999.13	184.58	5999.13	15.48	33	

Form **W-2** Wage and Tax Statement  
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2018

Department of the Treasury—Internal Revenue Service  
For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

The Internal Revenue Service (IRS) requires employers to provide the W-2 form to each employee and the IRS at the end of the year (by January 31). The W-2 form reports an employee's annual wages and the amount of federal, state and other taxes withheld from his or her paycheck. As an employee, you will need a copy of the W-2 to preparing your tax return.

Locate the following information on the W-2.

1. Employee name, address, and Social Security number
2. Employer name, address, federal ID number (EIN), and state ID number
3. Gross income
4. Social Security income
5. Federal tax withheld
6. FICA taxes withheld
7. State and local taxes withheld

	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	2a	Tax-exempt interest	2a	
			b	Taxable interest
	3a	Qualified dividends	3a	
			b	Ordinary dividends
	4a	IRAs, pensions, and annuities	4a	
		b	Taxable amount	
	5a	Social security benefits	5a	
		b	Taxable amount	
	6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
	7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	
<b>Standard Deduction for –</b> • Single or married filing separately, \$12,000 • Married filing jointly or Qualifying widow(er), \$24,000 • Head of household, \$18,000 • If you checked any box under Standard deduction, see instructions.	8	Standard deduction or itemized deductions (from Schedule A)	8	
	9	Qualified business income deduction (see instructions)	9	
	10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
	11	a Tax (see Inst.) (check if any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/> )		
		b Add any amount from Schedule 2 and check here <input type="checkbox"/>	11	
	12	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here <input type="checkbox"/>	12	
	13	Subtract line 12 from line 11. If zero or less, enter -0-	13	
	14	Other taxes. Attach Schedule 4	14	
	15	Total tax. Add lines 13 and 14	15	
	16	Federal income tax withheld from Forms W-2 and 1099	16	
	17	Refundable credits: a EIC (see Inst.) b Sch. 8812 c Form 8863		
		Add any amount from Schedule 5	17	
	18	Add lines 16 and 17. These are your total payments	18	
<b>Refund</b>	19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	
	20a	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here <input type="checkbox"/>	20a	
		b Routing number c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings		
		d Account number		
	21	Amount of line 19 you want applied to your 2019 estimated tax	21	
Amount You Owe	22	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	
	23	Estimated tax penalty (see instructions)	23	

# Notes - Credit & Credit Cards

<b>Goals</b>	Explain what “good credit” is how to establish it.
	Explain how credit cards work.
	Understand monthly charges, finance charges, APR, and minimum payments.
<b>Credit Reports, Credit Scores, and “Good Credit”</b>	<b>Credit Report</b>
	Whenever you make a loan payment, pay a utility or credit card bill, use your credit card, fail to pay bills on time, or file for bankruptcy you are establishing a credit history.
	Credit bureaus use your credit history to determine your credit score.
	<b>Credit Score</b>
	Used to determine whether or not an individual qualifies for a loan, etc.
	A low credit score can indicate that an individual has a history of paying bills late, has too much credit (too many credit cards or loans) for his or her income, or little experience with credit.
	A high credit score can indicate that an individual is more reliable.
	- He or she has a history of paying bills on time.
	<b>“Good Credit”</b>
	<b>The Benefits of Good Credit</b>
	Lenders, landlords, and some employers use credit scores and credit reports to manage risk.
<b>How do you establish Good Credit?</b>	
In order to get good credit you have to establish a credit history:	



## Rate, Fee and Other Cost Information

\*Account terms are not guaranteed for any period of time. All terms, including fees and APRs, may change in accordance with the Credit Card Agreement and applicable law based on information in your credit report, market conditions, or for any reason.

INTEREST RATES AND INTEREST CHARGES	
<b>Annual Percentage Rate (APR) for Purchases</b>	<b>16.49% to 25.49%</b> , based on your creditworthiness. These APRs will vary with the market based on the Prime Rate.
<b>Balance Transfer APR</b>	<b>16.49% to 25.49%</b> , based on your creditworthiness. These APRs will vary with the market based on the Prime Rate.
<b>Cash Advance APR</b>	<b>25.49%</b> . This APR will vary with the market based on the Prime Rate.
<b>Penalty APR</b>	Up to <b>29.49%</b> , based on your creditworthiness. This APR will vary with the market based on the Prime Rate. This APR will apply to new transactions on your account if you make a late payment. Once applied, this APR will apply indefinitely.
<b>How to Avoid Paying Interest on Purchases</b>	Your due date will be a minimum of 21 days after the close of each billing cycle. We will not charge you interest on purchases if you pay your entire balance by the due date each month. We will begin charging interest on balance transfers and cash advances on the transaction date.
<b>Minimum Monthly Payment</b>	<b>\$25</b> or 5% of the outstanding balance, whichever is greater.

FEES	
<b>Annual Membership Fee</b>	<b>None</b>
<b>Transaction Fees</b>	
Balance Transfers	Either <b>\$5</b> or 5% of the amount of each transfer, whichever is greater.
Cash Advances	Either <b>\$10</b> or 5% of the amount of each transaction, whichever is greater.
Foreign Transactions	3% of each transaction in U.S. dollars.
<b>Penalty Fees</b>	
Late Payment	<b>\$25</b>
Over-the-Credit-Limit	<b>\$25</b>
Return Payment	<b>\$25</b>

REWARDS	
<b>Rewards</b>	<b>1% cash back</b> on all purchases as long as your account is in good standing.



3. Mel made the first two payments on time and then forgot to pay her bill during the 3<sup>rd</sup> month.

a) According to the credit card Terms and Conditions, what could happen if she misses a payment?

b) Complete the table below for the first 5 months if she continues to make only the minimum payment and does not charge anything else on the card.

Month	Payment	Fees	Finance Charge	Amount applied to Balance	Balance
					\$ 2,800.00
1	\$ 140.00		\$ 38.48	\$ 101.52	\$ 2,698.48
2	\$ 134.92		\$ 37.08	\$ 97.84	
3	\$ 0			\$ 0	
4					
5					

c) How did the missed payment affect the finance charges? How much more interest do you think she will have to pay if she continues making only the minimum payments and does not use the card to purchase anything else?

4. Instead of paying only the minimum payment, Mel plans to cut back on her discretionary spending and pay \$600 per month towards her credit card balance.

a) Complete the table below for the first 5 months if she pays \$600 per month and does not charge anything else on the card.

Month	Payment	Finance Charge	Amount applied to Balance	Balance
				\$ 2,800.00
1	\$ 600.00	\$ 38.48	\$ 561.52	\$ 2,238.48
2	\$ 600.00			
3				
4				
5				
TOTALS				

b) Find the totals for each column above. What percent of her total payments were interest?

# Homework - Credit & Credit Cards

Name \_\_\_\_\_

Date \_\_\_\_\_ Period \_\_\_\_\_

1. Howie goes on a ski trip with his college friends. He charges \$1000 on a credit card that previously had a balance of \$200. The card's APR is 16.49% with a minimum monthly payment of \$25 or 5% whichever is greater.

a) Complete the table below if he pays only the minimum required payment.

Month	Payment	Finance Charge	Amount applied to Balance	Balance
1				
2				
3				

b) Use an online credit card calculator to estimate (i) how long it will take Howie to pay off the credit card and (ii) the total interest paid if he continues to make only the minimum payments.

2. Howie decides to pay \$300 per month instead of the minimum payment.

a) Complete the table below if he pays \$300 per month.

Month	Payment	Finance Charge	Amount applied to Balance	Balance

b) Find the totals for each column above. What percent of his total payments were interest?

c) What could he have done differently to avoid paying interest?