

# WHEN YOU GET A JOB

*Congratulations, you got the job!* Your job hunt has paid off, and now you have some paperwork to do. On your first day you'll be filling out several forms and supplying various documentation. Your employer requires proof that you can legally work in the U.S. and they'll also need information to calculate your taxes. Once these forms are completed (either on paper or online), they will be kept on file in the payroll or human resources department.

## Your FIRST DAY CHECKLIST

### YOU'LL NEED *to* HAVE

- Your Social Security number
- Documents proving your identity and right to work in the U.S. (see Form I-9, lists A, B, and C, for acceptable documents).



**DON'T FORGET**

### YOU'LL NEED *to* COMPLETE

- Form I-9, Employment Eligibility Verification:** The information you provide on this form shows you can work in the U.S.
- Form W-4, Employee's Withholding Certificate:** Your employer uses this form to calculate the federal income tax you owe each pay period. This tax is subtracted from each wage payment by your employer and paid over to the U.S. government.
- STATE EMPLOYEE WITHHOLDING CERTIFICATE**  
If you live or work in a state with state income tax, this information makes it possible for your employer to figure your state taxes. Depending on where you live, you might also be asked to fill out forms for county, city, or school district income tax withholding.

# GETTING STARTED: YOUR SOCIAL SECURITY NUMBER

It's a good idea to bring your Social Security card with you on your first day of work. You will need your Social Security number to complete several forms, and your employer may ask to make a copy of your card. Your Social Security number is a nine-digit number, grouped and hyphenated like this: 123-45-6789.

## WHAT'S SO IMPORTANT ABOUT MY SOCIAL SECURITY NUMBER?

When you get your Social Security number, an account is set up with the Social Security Administration. Each year, wages are recorded in your account. When you retire, or if you become disabled, your Social Security benefits will be based on your total earnings. The IRS and your employer will use your Social Security number as your personal ID number when your wages and taxes are reported. It will also go on your tax return.

## SO, HOW DO I GET A SOCIAL SECURITY NUMBER?

If for some reason you don't have a Social Security number, fill out [Form SS-5, Application for a Social Security Card](#), and submit it to the Social Security Administration along with any required documents. To find Form SS-5:

- Ask for one from your employer.
- Call 800-SSA-1213.
- Download [Form SS-5](#) from the Social Security Administration website.
- Visit a [local Social Security Administration office](#) to pick up a form.

When you finish filling it out, submit it to the Social Security Administration with any documents that are required. If you need any help, call the toll-free number above.

## IF MY NAME CHANGES, DO I NEED A NEW SOCIAL SECURITY CARD?

Yes. If your name changes because of marriage, divorce, or some kind of legal action, you must obtain [a new Social Security card](#) and show it to your employer. First, complete Form SS-5, *Application for a Social Security Card*, to file your name change with the Social Security

Administration. When you get your new card in the mail, take it in to your employer and have your name changed on the payroll records. If your employer changes your name *before* you receive your new card, someone may make a mistake in reporting wages to your Social Security account. The possible result: you might receive less money than you should when you retire or become disabled. And finally, destroy your old card.

There is another reason for getting a new Social Security card when you change your name. If you're married and file a joint tax return with your spouse, the IRS will reject the joint return if the names and Social Security numbers on the return do not match the Social Security Administration's records.

## PROVING YOUR RIGHT TO WORK: U.S. CITIZENSHIP AND IMMIGRATION SERVICES FORM I-9, EMPLOYMENT ELIGIBILITY VERIFICATION

Upon employment, you have to prove your identity and right to work in the U.S. Federal law requires employers to make sure they don't accidentally hire illegal aliens. Your employer will check your documentation to make sure

it's genuine and to be certain that you're legally allowed to work. Regardless of your nationality, your employer will want to review your documents within three days after your first day of work.

### HOW CAN I PROVE MY IDENTITY AND RIGHT TO WORK IN THE US?

It's easy! On your first day of work, you need to fill out the employee portion in Section 1 of Form I-9. Enter N/A in any boxes if the information is not applicable or optional. Your employer will complete the rest of the form. This is where you're going to need your documentation. [Lists A, B, and C on Form I-9](#) outline acceptable forms of ID and work authorization to prove you're legally allowed to work in this country. Show your employer either *one* document from List A, or one document each from both List B and List C. The documents must be unexpired originals, no copies, except for a certified copy of a birth certificate.



#### QUICK TIP

Many employees use their Social Security card together with their driver's license to prove their right to work.



# Know Your Rights

## IDENTITY THEFT AND IDENTITY FRAUD

**Identity theft** is one of the fastest growing crimes in the U.S. It occurs when someone uses information that uniquely identifies you—such as your Social Security number—without permission, to commit fraud. It can create personal problems, such as being charged for unauthorized phone calls, purchases made on your credit card, or a poor credit report that keeps you from obtaining a loan for a car or home.

One of the best ways to protect yourself against identity theft is to store your Social Security card in a safe place after you've shown it to your employer. Your employer should also make sure that your Social Security number is only shared with those who need to know it, and that records with your number on them are properly destroyed when no longer needed.

## IT'S YOUR CHOICE

When you present proof of your identity and right to work to your new employer, it is within their legal right to make photocopies for their records. However, your employer cannot tell you which specific documents to present. It's your choice: as long as they appear genuine and are on Form I-9's lists of acceptable documents, your new employer must accept them as proof.

## PAYING YOUR FAIR SHARE, PART 1: FORM W-4, EMPLOYEE'S WITHHOLDING CERTIFICATE

Form W-4, *Employee's Withholding Certificate*, must be submitted either on or before the first day of work. The information on the W-4 will be used to calculate how much money will be withheld in federal income tax from your paycheck. Submit this form to your employer right away. If you put it off, your employer will withhold the *maximum* amount of tax from your paycheck! In addition, if your living situation changes, you may need to file a new W-4.

### WHAT'S THE PURPOSE OF THIS FORM?

Form W-4 tells your employer how much federal income tax to deduct from each paycheck. The amount withheld is based on the information you provide through a series of five steps. Your employer will adjust your withholding based on your tax filing status and the information you provide in Steps 2, 3, and 4. If you want an extra, specific dollar amount taken out of your paycheck, you can write that in on this form. Form W-4 is also used to claim a total exemption from federal income tax withholding. More on that later.

This is why submitting your Form W-4 is so important! Until you turn this form in, your employer has to assume that you are single and cannot make any other adjustments. Without making adjustments, you're likely to pay more tax than is necessary. Although you will receive a tax refund for the extra tax when you file your personal income tax return, there is no good reason to give the federal government an interest-free loan on your hard-earned money.

### HOW DO I COMPLETE FORM W-4?

There are five steps for you to complete on the form. You must complete Steps 1 and 5. Steps 2, 3, and 4 should be completed if they apply to you. Doing so will help ensure that your federal income tax withholding is accurate. Step 1 is for your personal information; Step 2 is for households with multiple jobs; Step 3 is used to claim tax credits for dependents (usually children); Step 4 is for other adjustments (additional income, itemized deductions, extra tax you want withheld); and Step 5 is where you sign and date the form.

**Step 1: Enter Personal Information.** In this step, you will enter your name, address, Social Security number, and anticipated tax filing status (Single or Married filing separately, Married filing jointly or qualifying surviving spouse, or Head of Household). The head of household status was recently added to the Form W-4. An employee can choose that status if he or she is unmarried and pays more than half the costs of keeping up a home for himself or herself and a "qualifying individual." This is the filing status often claimed by single parents.

**Step 2: Multiple Jobs or Spouse Works.** Step 2 should be completed if you: (1) hold more than one job at a time, or (2) are married filing jointly and your spouse also works. The correct amount of withholding depends on income earned from all of these jobs.

Use the Multiple Jobs Worksheet (found on page 3 of the form) and enter the result in Step 4(c) for roughly accurate withholding; or if there are only two jobs total, you may check the box. This should be done on the Form W-4 for the other job as well. This option



is accurate for jobs with similar pay; otherwise, more tax than necessary may be withheld.

**Step 3: Claim Dependents.** If you have dependents, they will be claimed in this step. You will multiply the number of qualifying children under the age of 17 by \$2,000 and the number of other dependents by \$500 and enter the total number in Step 3.

**Step 4 (optional): Other Adjustments.** In Step 4(a), you enter an amount of other income. This is income that you might receive that does not include income tax withholding and is from such sources as interest or dividends. Do not list income from another job here.

In Step 4(b), if you expect to claim deductions other than the standard deduction, and want to reduce your withholding, complete the Deductions Worksheet on page 3 of the Form W-4 and enter the amount in Step 4(b).

Step 4(c) is for any additional tax you want withheld each pay period.

You may ask to take the Form W-4 and instructions home to complete so a family

member can help you. You may also want to use the [IRS Tax Withholding Estimator](#) to help you complete the form. *Do not ask your employer what to enter in Steps, 2, 3, or 4.*

If you need additional help, you can:

- Get a copy of [IRS Publication 505](#), *Tax Withholding and Estimated Tax*, from your employer or the IRS website
- Call the IRS at 800-829-3676
- [Download a W-4](#) from the IRS website

### ATTENTION NONRESIDENTS!

If you're a nonresident alien—that is, if you're here from another country and don't have a green card—you must check the Single or Married filing separately box in Step 1(c) regardless of your actual marital status. You also should not claim the child tax credit or the credit for other dependents unless you come from Canada, India, Mexico, or South Korea, in which case special rules may apply. See IRS [Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens](#), for additional information. All nonresident aliens must also write "NRA" or "Nonresident Alien"

in the space below Step 4(c) of Form W-4 because of special withholding rules for nonresident aliens.

### SO, HOW DOES THIS WORK IN REAL LIFE?

Let's use Tom and his wife as an example. Both Tom and his wife work and they have two children under the age of 17 living with them. Their total income will be from wages. Tom will earn \$45,000 and his wife will earn \$40,000. Tom and his wife are both paid on a weekly basis.

To complete Step 2 of the Form W-4, Tom decides to use the Multiple Jobs Worksheet (shown on page [12](#)) and he follows the directions for Step 2(b). He completes the form and enters the amount from the worksheet — \$73.27 — in Step 4(c). In Step 3, Tom multiplies the number of qualifying children under the age of 17, which is 2, by \$2,000 and enters the result — \$4,000 — in Step 3. The W-4 Tom submitted to his employer is shown on the next page.

## CAN YOU CLAIM TO BE EXEMPT FROM FEDERAL INCOME TAX WITHHOLDING?

Is it possible for you to have *no* federal income tax withholding at all?

It's possible that you qualify, but not very likely. You can claim to be exempt from federal withholding only if both of the following conditions apply:

1. **You ended up owing no federal income tax last year**, and all the federal tax withheld from your pay during the year was given back after you filed your return, and
2. **You don't expect to owe any federal income tax for the current year.**

You have to renew your claim to an exemption each year by February 15 (or the next business day if it falls on a weekend or legal holiday). If you don't, your employer will start withholding federal tax from your paychecks as if you checked the box for Single or Married filing separately in Step 1(c) and made no other entries in Step 2, 3, or 4 of the W-4.

Almost no one is exempt from Social Security or Medicare tax. A claim of exempt status won't affect your Social Security or Medicare tax withholding.

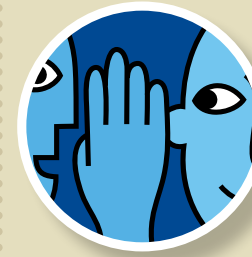
## WHEN DO I HAVE TO SUBMIT A NEW W-4?

If either of the two situations below applies to you, you have 10 days to fill out and submit a new W-4 to your employer.

1. **Your living arrangement or financial situation changes, resulting in an *increase* in the amount of withholding required.** For example, if you get a divorce, or a previously nonworking spouse takes a job, or a dependent moves out of the house or becomes too old to be claimed as a dependent, you're required to submit a new W-4 that accounts for the changes.
2. **You realize that you're *no longer exempt* from federal income tax withholding** because you're going to have to pay income tax in the current year; you're required to submit a new W-4 showing you do not claim exempt.

You can file a new W-4 if either of the two examples below applies to you, but you don't have to. You really should though, because if you do you'll have more take-home pay!

1. **Your living arrangement or financial situation changes, resulting in a**



### QUICK TIP

Your employer might ask that you submit your W-4 by telephone or computer. If you want to use the paper form instead, your employer has to tell you how to get one, and where you should submit it.

***decrease* in the amount of withholding required.** For example, if you or your spouse gives birth to a child, or if a working spouse quits their job, you can adjust your withholding. You can turn in a new W-4 reflecting this change at any time.

2. **You realize that you're *now exempt* from federal income tax withholding.** You can turn in a new W-4 reflecting this change at any time.

If your name changes, you should submit a new W-4 to your employer, but only after you have received your new Social Security card.

You are not allowed to make changes to your W-4 in advance. Suppose, for instance, that you're planning to get married. You have to

wait until *after* the wedding to submit a new form with your updated marital status.

By December 1 of each year, your employer should remind you to turn in a new form for the next year if your marital status or the amount of required withholding has changed. Your employer is also required to start using any new W-4 you turn in within a month of receiving it from you.

### WHAT IF MY EMPLOYER REJECTS MY W-4?

It is your responsibility to submit accurate information on your W-4. Your employer will

not review it for you. If your W-4 has obvious problems, though, your employer won't accept it.

Any one of the following faults will cause your W-4 to be rejected:

- **Changing the text of the form**, either by crossing out parts of it or adding statements to it.
- **Using the form to request that a flat dollar amount of tax or a certain percentage of your wages be withheld** — this is illegal! Federal income tax is calculated on the basis of your filing status, income, deductions, and credits.

- **Telling your employer that some of the information on the form is false.**

If you submit an unacceptable W-4, you ought to fill out a new one. If you don't, and you're a new employee, your employer will have to assume that you are single with no other adjustments (i.e., you made no entries in Steps 2-4 of the W-4). If you're not a new employee, your employer will keep using your most recent W-4 on file. Either way, you could easily end up having more taxes withheld than is necessary!



## WARNING!

### DEFINITION OF “NO FEDERAL INCOME TAX LIABILITY”

You had no federal income tax liability for a year only if all the federal income tax withheld from your pay was refunded to you.

### YOU'RE NOT QUITE THERE YET!

Even if this definition applies to you, you still may not be exempt from federal income tax withholding. You are not exempt if:

- Your income for the year is more than \$1,300 and includes over \$450 of unearned income (e.g., interest and dividends), and
- Someone else can claim you as a dependent.

### STUDENTS ARE NOT AUTOMATICALLY EXEMPT!

High school and college students have to meet the conditions above to claim an exemption.

### DON'T COMMIT A FEDERAL OFFENSE

It is a federal offense to make false claims on your W-4 in the hope of reducing your federal taxes. If you're found guilty of it, the punishment can be severe.

# PAYCHECK BASICS

## GETTING PAID

A paycheck is very important to all of us. It's important to understand how and when we are paid and how to know when it's correct, especially if we work overtime or make tips. Read on for more details.



### HOW OFTEN WILL I GET PAID?

How often you are paid depends on the state you work in and the company you work for. In all cases, you have to be paid on your employer's set payday and within a certain number of days after each pay period ends. You can be paid once a month, twice a month, every two weeks, or every week. Employers *can pay you more often* than the state law requires. For example, if the state says you have to be paid at least once every two weeks, your employer can pay you once every week instead. On the flip side, your employer *can't pay you less often* than state law requires.

### HOW WILL I GET PAID?

You'll probably be paid by check or direct deposit (more on this later). In most states, your

employer must make arrangements with a bank where you can cash your paychecks for face value. A growing number of companies also use electronic "paycards" to pay some employees, especially those without bank accounts. Paycards are "stored value" debit cards that can be used like cash.

### WHAT IS DIRECT DEPOSIT, AND HOW CAN IT BENEFIT ME?

If you use direct deposit, your wages are paid directly into your checking or savings account. You won't receive a paycheck on payday, and you won't need one—your money will already be in your account! You *will*, however, receive a statement that is very much like a regular pay stub. Your statement will show: the pay period dates, the date of payment, how many hours you worked, your before- and after-tax wages,





## QUICK TIP

Many employees prefer direct deposit to receiving a paycheck. You, too, might find it more convenient, and safer:

1. You won't have to wait around for your check on payday!
2. If you miss work on a payday, your check is deposited automatically.
3. You won't have to worry about losing a paycheck or having it stolen.
4. Your money will start earning interest as soon as it's deposited into your account.
5. You may have portions of your pay sent to several separate accounts, which can save you time *and* grow your savings account automatically.

any taxes subtracted from your check, and any other deductions. And, as long as employees can print these statements out, all states now allow companies to provide them through their computer network rather than on paper.

**You must first give your employer permission to use direct deposit.** Your wages are transferred electronically into your account, and your employer can only arrange this with your permission. Some states require that you give this permission *in writing*; in other states, you can just *tell* your employer what you want. Typically, you'll be asked to provide a checking account deposit slip or a voided check, both of which contain the following necessary information:

- The name of your financial institution (bank, credit union, etc.) and its transit routing number.
- Whether you want the deposits made to a checking or a savings account.
- Your account number.

**In some states, employers can *require* that you use direct deposit. [See the chart on the next page for more information.](#)**

Even if you live in a state where you have to use direct deposit, your employer can't require you to deposit your wages in a specific institution. You get to choose the financial institution and which account. In some states, if you can't use direct deposit because you don't have a bank account, your employer can require you to receive your pay through an electronic paycard.

## WHAT IF I QUIT OR I'M LAID OFF?

If you are leaving your job—including quitting, being laid off, or being fired—you *should* receive your final paycheck on your last day of work or by the next payday. Individual state laws determine exactly how quickly you'll get your last check and specify if any extra payments (e.g., vacation pay) need to be included in your final paycheck.

## THE WAGE AND HOUR LAW, OR, HOW DO YOU KNOW YOUR PAYCHECK IS CORRECT?

If you're classified as what is known as a "nonexempt" employee, you're covered by the federal Fair Labor Standards Act, the U.S.'s main wage and hour law that requires, among other things, an employer to pay you at least minimum wage plus a certain overtime rate. If you aren't covered by the federal law because your employer is too small, you may be protected by your own state if it is one of the states that have passed their own laws on minimum wages and overtime pay. If you ever

find yourself covered by both a federal and a state law, your employer has to obey the law that's *more favorable to you, the employee*. For example, suppose your state has its own minimum wage. If this wage is higher than the federal minimum wage, your employer has to pay you the higher state wage.

### *Are you* **EXEMPT or NONEXEMPT?**

## WHAT ARE 'EXEMPT' AND 'NONEXEMPT' EMPLOYEE STATUSES?

Under the Fair Labor Standards Act, employees are classified as exempt or nonexempt based on the kind of work they do and the salary they are paid. If you're an *exempt* employee, you'll probably be paid a set salary that is typically higher than what you'd be earning at minimum wage. The Fair Labor Standards Act *does not* cover exempt employees.

The Fair Labor Standards Act *does*, however, cover *nonexempt* employees. If you're nonexempt, you have to be paid at least the minimum wage for all the hours you work, and extra overtime pay if you work more than 40 hours in a single workweek. Nonexempt employees can be paid a set salary though you still need to be paid the required minimum wage and overtime pay. To check, divide your weekly salary by the number of hours you work in a regular week. Compare this hourly rate to the minimum wage and overtime requirements to find out if you're being paid what you're owed.

If you're not sure how you're classified, ask your employer if you're an exempt or nonexempt employee.

## EXEMPT

The most common exempt employees:

- "White collar," such as executives, administrators, professionals, computer professionals, and outside sales.
- Work on commission in retail and service industry sales.
- Work for the government such as elected officials and their appointees, and state and local legislative positions.

Many other kinds of employees are also exempt from the Fair Labor Standards Act. It's your employer's task to determine whether or not you're exempt, based on your salary and job duties. The more responsibility and independent authority you have, the more likely you are to be exempt.

**Your status depends on your actual duties, not on your job title.**

If you're an *exempt* employee and your pay is docked for missed time at work—in other



words, wages are subtracted from your paycheck—you might become *nonexempt*. As an exempt employee, you should be paid on a salary basis, meaning you have to be paid your full salary if you do any work at all in a specific workweek. There are a couple of exceptions to this rule:

1. Suppose you've already used up all your vacation and sick time and one morning you fall down and twist your ankle. You can't drive, so you miss a few more days at work. Since you don't have any leave left, your wages can be reduced for the extra days you missed.
2. If you take time off under the Family and Medical Leave Act, your pay can legally be docked.

Special rules apply to state and local government employees. As “public servants,” they're often held to stricter schedules than employees of private companies. In some areas, the law requires that their wages be docked for *any* absences from work, even absences that are less than a full day. Because of this, a state or local government can close some of its offices or reduce its staff temporarily to save money. This is called a “furlough.” During a furlough, the government can dock the paychecks of exempt



# Know Your Rights

## PROTECTING YOUR EXEMPT STATUS

If you're an exempt employee, your employer shouldn't dock your pay for less than a day's absence from work, except for leave under the Family and Medical Leave Act. If your employer does this, you're not being treated as an exempt employee. You might become nonexempt as a result, which means you'd have to be paid for any overtime that you work. If you're out for less than a day and you have some paid leave time available, your employer can require you to use the paid leave time without converting your status to nonexempt.

From time to time, you might have to leave work temporarily because of jury duty, service as a witness in a court of law, or military obligations. Your salary can't be reduced as a result of any such service that lasts less than a week, as long as you do some work during that week. If you're paid for this service, though, your employer can subtract the amount you were paid from your regular paycheck.

## LIMITS TO PUNITIVE DEDUCTIONS

If you're a nonexempt employee and you show up late for work, your employer *can* subtract the amount of work time you missed from your wages. Some employers like to take out even more as a *punishment* for being late. But know your rights: Punitive deductions *cannot* result in being paid *less* than minimum wage for each hour you *did* work, nor can they result in being paid less overtime than you've earned.

## MORE INFORMATION ON YOUR RIGHTS

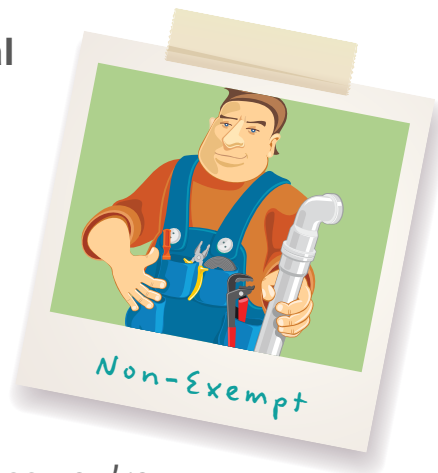
To learn more, go to the U.S. Department of Labor's [Worker.gov](https://www.dol.gov) website. This site covers common workplace concerns and the federal labor laws protecting workers.

employees who aren't working. These employees are still exempt, *except* during the period of time they've been told not to show up at their jobs. In the private sector, exempt employees can only be put on furlough for full workweeks, or they will be treated as nonexempt.

### NONEXEMPT

**The current federal minimum wage is \$7.25 per hour.** If you're nonexempt, you *have* to be paid at least this much per hour for every hour you work.

This holds true *unless* you're a new employee under the age of 20, in which case you only have to be paid \$4.25 per hour for your first 90 days of work. After that, however, your employer has to pay you the standard minimum wage. As a nonexempt employee, you can be paid on a piecework, salary, hourly, or commission



basis as long as you're getting at least the minimum hourly rate.

If the minimum wage changes during your workweek, you must be paid at least the new minimum wage for all hours worked beginning on the day the change takes effect.

Because of the taxes subtracted from your paycheck each pay period, and/or "noncash wages" such as room and board, your take-home pay may end up being *below* the minimum wage. **But how, and why?** Your employer is required by law to withhold Social Security, Medicare, and income taxes from your paycheck. Even though these taxes are subtracted from your wages, they're still considered part of your income, as are any noncash wages. If you add all the taxes and noncash wages back into your take-home pay, your total pay should equal at least the minimum wage rate multiplied by the number of hours worked.



## CALCULATING *Your* GROSS PAY

**Gross pay is your total pay *before* any taxes are taken out per week, if you're receiving the federal minimum wage:**

James works 35 hours each week at the Town and Country Bike Shop. He is paid the federal minimum wage of \$7.25 per hour. James' gross pay for each week is 35 x \$7.25, or \$253.75.



$$\begin{array}{r} \$7.25 \\ \times 35 \\ \hline \mathbf{\$253.75} \end{array}$$

- Social Security taxes!
- Medicare taxes!
- Income taxes!

$$\mathbf{\$200.00}$$



## WHAT IS A WORKWEEK?

Your employer calculates your wages separately for each *workweek*. A workweek is a seven-day period set by your employer and can start on any day of the week, at any hour of the day. Different workweeks can be established for different groups of employees all working for the same employer.

*The workweek at the All-Night Coffee Shop runs from 5 a.m. Tuesday morning to 5 a.m. the next Tuesday. The boss set it up this way so that the late-night shifts (which end at 5 a.m.) and the early morning shifts (which begin at 5 a.m.) can be handled more easily. This kind of workweek is legal under the Fair Labor Standards Act.*

The minimum wage requirement must be met for each workweek. Your employer can't average out your wages over a period longer than a week.

*Suppose Maryanne is paid \$247 for a single workweek of 35 hours. This is \$6.75 less than the minimum rate.*

*Maryanne works 35 hours again the next workweek, and is paid \$262. This is \$8.25 above the minimum. If you average her pay for those two weeks, you get \$254.50,*

$$\begin{array}{r} \$7.25 \\ \times 35 \\ \hline \$253.75 \\ - 247.00 \\ \hline \$6.75 \end{array}$$

*which is just above the minimum—but this doesn't get her employer off the hook. She should have received at least the minimum rate for each week she worked. Her employer broke the law her first week by paying her less than minimum wage.*



## HOW ARE TIPS HANDLED?

Some employees, such as waitresses and bartenders, earn tips in addition to their regular wages. To be classified as a "tipped employee," you have to earn at least \$30 per month in tips. Employers have to pay a tipped employee only \$2.13 per hour, as long as the employee's tips average out to at least \$5.12 per hour:

$$\begin{array}{l} \$2.13 + \$5.12 = \$7.25, \\ \text{the required minimum wage} \end{array}$$

This \$5.12 is called the employer's "tip credit." If an employee's tips don't quite bring his or her pay up to minimum wage, the employer has to raise the hourly rate to make sure the employee gets at least the minimum rate. Service charges added to customers' bills aren't tips. They're part of a tipped employee's regular wages.

## REPORTING YOUR TIPS

In most situations, if you get *more than \$20* per month in tips you have to report this income to your employer. Federal income, Social Security, and Medicare taxes will be withheld from your tips. If you earn *less than \$20* per month in tips,

you don't have to report this income to your employer. These tips are still a part of your income, though, and you have to report them when you file your tax return.

### HOW DOES OVERTIME PAY WORK?

If you're nonexempt, you'll receive overtime pay for all hours over 40 that you work in a specific workweek. Your employer must pay you 1.5 times your regular rate of pay for each of your overtime hours. There is *one exception* to this rule: state and local government employees can be given 1.5 hours off for each hour of overtime they worked in place of overtime pay.

### HOW TO FIGURE YOUR OVERTIME PAY

Michael earns \$13 per hour. Usually he works only 40 hours per week, but last week he worked 48. How much should he be paid for last week's work?

Regular earnings:	$40 \text{ hours} \times \$13 = \$520$
Overtime hours:	$48 \text{ hours} - 40 \text{ hours} = 8 \text{ hours}$
Overtime pay:	$\$13 \times 1.5 \times 8 = \$156$
Last week's earnings:	$\$520 + \$156 = \$676$



# Know Your Rights

### TIP CREDITS – HOW DO THEY WORK?

If your employer wants to take advantage of the tip credit, and pay you only \$2.13 per hour, *all of the following conditions must be met:*

1. You have to average at least \$5.12 in tips per hour for each workweek.
2. Your employer has to explain the tip credit to you before taking it.
3. You have to be allowed to keep all the tips you earn, though your employer can require tipped employees to pool their tips.
4. Your employer has to give you all your credit card tips by the next payday. The credit card company's charge for using the card can be subtracted from each tip.  
Suppose one of your customers puts a \$10 tip for you on his or her credit card bill. The credit card company charges your employer 5% to use its credit cards. You have to be paid at least 95% of the tip, or \$9.50 ( $\$10 \times .95 = \$9.50$ ).
5. Your employer can't raise the tip credit for any overtime hours you work. In other words, your regular wage has to go up for overtime hours.

## WHEN OVERTIME HAS TO BE PAID

The Fair Labor Standards Act says you have to receive overtime pay but *only* for hours you actually worked. You won't get the overtime rate on sick pay, vacation pay, etc., unless that's your employer's policy.

*Joe is paid for 48 hours of work, but eight of those hours are covered by sick pay. Joe doesn't receive the overtime rate for any of those hours, because he physically worked only 40 hours.*

*Bonnie is a carpenter. She shows up at her work site one morning during a thunderstorm. She waits an hour for the rain to let up, but it just gets worse, and her employer sends her home. She is paid for half a day of work. The hour she waited is actual work time, but the rest of those paid hours are not hours that she physically worked. She can't count that time as work hours for the purpose of getting overtime pay.*



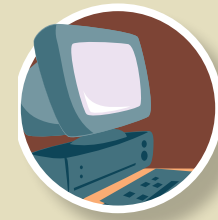
### QUICK TIP

Some state laws and union contracts provide an exception to this rule by requiring employers to pay you overtime when you work Sundays, holidays, or more than eight hours in one day.

Employers do not have to pay you the overtime rate—though many do—when you work weekends or holidays, *unless* your work on those days actually pushes you over 40 hours for the workweek. Also, overtime is *not* based on the number of hours you work in a *single* day. If you work more than eight hours in a single day, you won't receive overtime pay for the extra hours. But, you *do* earn overtime pay when you work more than 40 hours in a single workweek.

## THE WORKWEEK AND OVERTIME PAY

When you calculate your overtime pay, remember that each workweek stands on its own. For example, if you work 35 hours one week and 45 hours the next, your employer can't average out these totals (which would be 40 hours) to deny you overtime pay. You *must* receive five hours of overtime pay for the extra time you worked during the second week. Firefighters, police officers, and hospital employees, however, often have their workweek and overtime pay defined differently due to the nature of these jobs.



## Go Online

Access forms and more information on what you learned in Chapter 2:

- [Fair Labor Standards Act](#), from the Department of Labor Wage and Hour Division.
- [Family and Medical Leave Act](#), also from the Department of Labor Wage and Hour Division.
- [Worker.gov](#), from the Department of Labor. This website provides information about federal worker protections and rights.

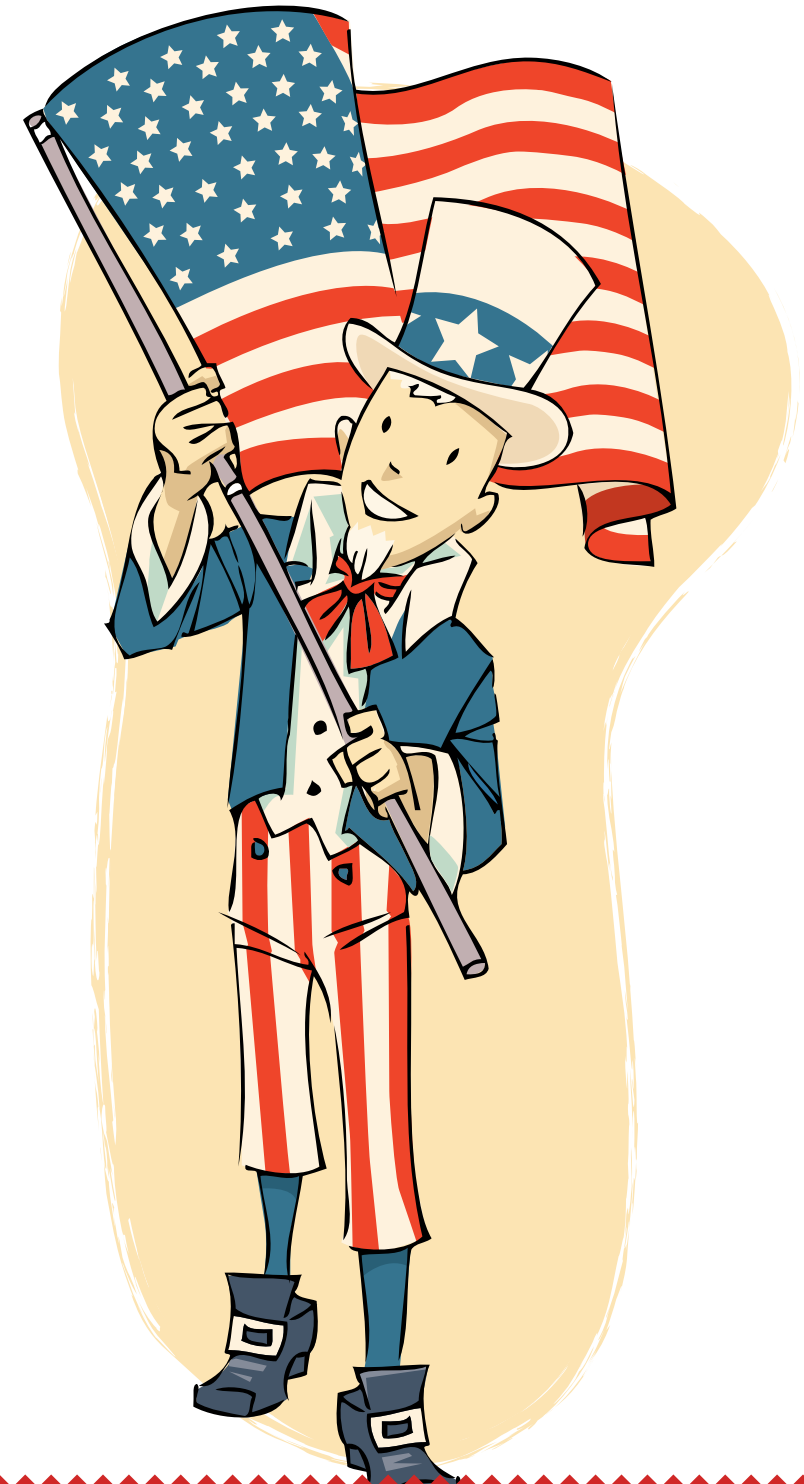
# YOUR PAY STUB AND TAXES

## GETTING STARTED: TAX INFORMATION

This chapter provides an explanation of the taxes you pay and methods you can use to confirm that your employer is withholding the right amount of your wages.

### INCOME AND EMPLOYMENT TAXES

If you hold a job in the U.S. or you're a U.S. citizen working in another country, you have to pay federal income and employment taxes. Depending on the state in which you live and work, you might be responsible for paying a state income tax as well. Some counties, cities, and school districts also have income taxes. Your employer collects these taxes by withholding part of your paycheck and sends this money directly to the federal, state, and/or local governments.





## WHAT ARE INCOME TAXES?

Federal income tax is the amount of money you have to pay to the federal government, and it is collected by the IRS. There are 41 states that collect state income tax. Depending on where you live, you may also owe income tax to the county, city, or school district.

## HOW ARE INCOME TAXES CALCULATED?

Your employer will calculate the income taxes that are withheld from your paycheck. It's probably a good idea for you to check your employer's math and verify the right amount is being withheld.



There are several different methods your employer can use to calculate your federal income tax. The two most popular are the wage bracket method and the percentage method. Each are based on the IRS federal income tax withholding tables. To calculate your withholding, your employer will use the withholding worksheets and withholding tables in [IRS Publication 15-T, Federal Income Tax Withholding Methods](#).

The applicable worksheet and table will take into account your filing status (single or married filing separately, married filing jointly, or head of household), how often you're paid (weekly, monthly, etc.), your gross pay, and the information you provided in Steps 2, 3, and 4 on your W-4. State and local governments that levy income taxes have their own tax withholding tables for your employer to use.

## DID YOU KNOW?

## HOW TO USE *the* WAGE BRACKET METHOD

Jane is paid a weekly salary of \$790. On her 2024 Form W-4, her filing status is married filing jointly and she did not enter any information in Steps 2, 3, or 4.

Look at Worksheet 2, Employer's Withholding Worksheet for Wage Bracket Method Tables for Manual Payroll Systems With Forms W-4 From 2020 or Later, on page 12 of Publication 15-T (the worksheet appears on the next page).

Jane's federal income tax withholding is \$23 per week.



Weekly salary: \$790

Married filing jointly with no other adjustments on her W-4

---

**Federal income tax withholding:**  
**\$23 per week**



### QUICK TIP

Remember, to convert a percentage into a decimal, divide the percentage by 100:

$$6.2\% = .062$$
$$1.45\% = .0145$$

Another way to remember this, is to move the decimal point two places to the left.

### Also!

#### If you're holding down more than one job:

Each of your employers is required to withhold Social Security and Medicare taxes from your paycheck. You can't combine your earnings from your different jobs to see if you've hit the Social Security wage limit. If you end up paying more in Social Security tax than the law allows (more than \$10,453.20 in 2024), you can get a refund when you file your income tax return.

# The SOCIAL SECURITY WAGE LIMIT

FIRST EXAMPLE

## WAGES UP TO \$168,600 PER YEAR

Richard is paid \$500 each week. His Social Security withholding per paycheck is \$31 ( $\$500 \times .062$ ). His Medicare tax per pay period is \$7.25 ( $\$500 \times .0145$ ). Richard's employer withholds \$38.25 ( $\$31 + \$7.25$ ) in employment taxes from his wages each week. His employer also pays \$38.25 ( $(\$500 \times .062) + (\$500 \times .0145)$ ) to the federal government.



### SOCIAL SECURITY

$$\begin{array}{r} \$500 \\ \times .062 \\ \hline \$31 \end{array}$$

### MEDICARE

$$\begin{array}{r} \$500 \\ \times .0145 \\ \hline \$7.25 \end{array}$$

### EMPLOYER PAYS

$$\begin{array}{r} (\$500 \times .062) \\ + (\$500 \times .0145) \\ \hline \$38.25 \end{array}$$

## SOCIAL SECURITY SUMMARY

Your Social Security benefit is a percentage of your earnings averaged over most of your working lifetime. If you work for someone else, your employer withholds Social Security and Medicare taxes from your paycheck, calculates the amount it must pay, sends those taxes to the IRS, and reports your earnings and taxes withheld to the [Social Security Administration](#).

If you're self-employed, you pay your own Social Security and Medicare taxes when you file your tax return. The IRS will report your earnings to the Social Security Administration.

There are five major categories of benefits paid through Social Security and Medicare:

- Retirement
- Disability
- Family benefits
- Survivors
- Medicare



## MEDICARE

The [Centers for Medicare and Medicaid Services](#) administers Medicare, the nation's largest health insurance program. Medicare provides health insurance to people age 65 and over, and those who have permanent kidney failure and certain people with disabilities. For more information, call the toll free number 1-800-633-4227 or [visit the Medicare website](#).

## STATE UNEMPLOYMENT AND DISABILITY INSURANCE TAXES

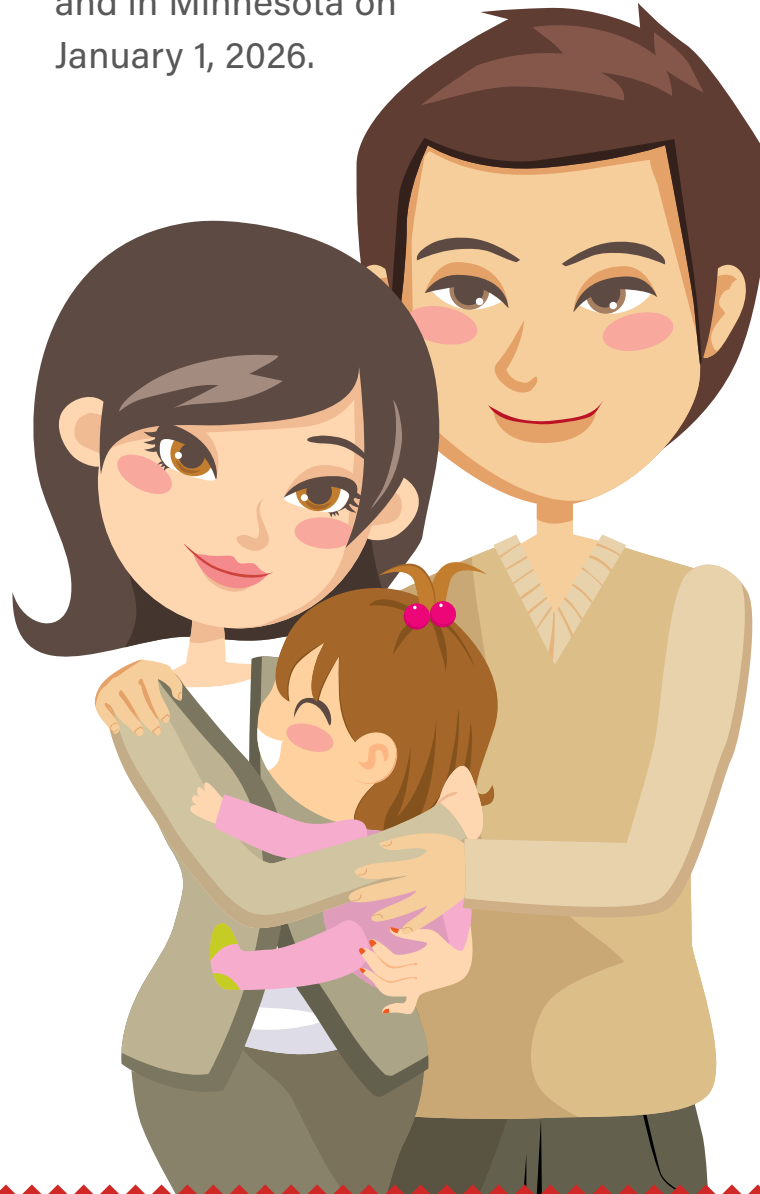
Unemployment insurance provides you with a small income while you look for another job. A joint federal-state system handles this insurance. In most states, only your employer is responsible for paying the federal and state taxes that support the system. Though if you work in Alaska, New Jersey, or Pennsylvania, you're required to pay part of the state unemployment insurance tax. Like the other taxes discussed earlier, this tax will be withheld directly from your paychecks.

State disability insurance tax exists in only five states (California, Hawaii, New Jersey, New York, and Rhode Island) and Puerto Rico. If you work in one of these states or Puerto Rico and suffer an injury or illness that's not related to your work, but keeps you from working, you'll receive money from a state fund. Both employers and employees pay taxes into this fund.

Check your pay stub to find the exact amount being withheld.

California, Colorado, Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oregon, Rhode Island, and Washington have established paid family leave (PFL) programs that vary but generally provide compensation to employees who take time off from work to care for a seriously ill family member or to bond with a new child. Many are administered as a part of, or in a similar manner, to state disability insurance programs, requiring employee or employer contributions or both.

Employer withholding and remittance of contributions are scheduled to begin in Maryland on October 1, 2024; in Delaware and Maine on January 1, 2025; and in Minnesota on January 1, 2026.



## *Go Online*

Access forms and more information on what you learned in Chapter 3:

- [Publication 15-T, Federal Income Tax Withholding Methods](#)  
(includes the Worksheets and Percentage Method and Wage Bracket Method Tables used to calculate income tax withholding)
- [Centers for Medicare and Medicaid Services](#)
- [Social Security Administration](#)



# PRE-TAX DEDUCTIONS

## WHAT IS 'TAX-DEFERRED'?

You contribute some of your wages every payday to a tax-deferred plan, and you're only taxed on the amount after the deduction (less taxes!). Then, when you retire (or otherwise use what you've put away), you get this money back and now you are taxed on the money. You're not taxed when you earn the money, but you are taxed when you access it, thus payment of taxes on that amount is deferred, or put off, to a future date, i.e., "tax deferred."

## TAX-DEFERRED RETIREMENT PLANS

Tax-deferred plans are a great way to save money for your retirement. If you're going to be taxed anyway when you get the money back at retirement, why defer it? The good news: after retirement, you'll probably pay income taxes at a lower rate than you did while you were working. This means you'll still end up paying less income tax on this money than you would have without the retirement plan.

There are many kinds of tax-deferred retirement plans. Your employer chooses which one to offer to employees depending on certain eligibility rules. **The three most common plans are the Section 401(k) plan, the Section 403(b) plan, and the Section 457(b) plan.**

## SECTION 401(K) PLANS

**401(k) plans** are standard tax-deferred retirement plans. Each payday you contribute a set percentage of your wages to the plan on a pre-tax basis. You don't pay income taxes on this money until you get it back after retirement in the form of regular payments.

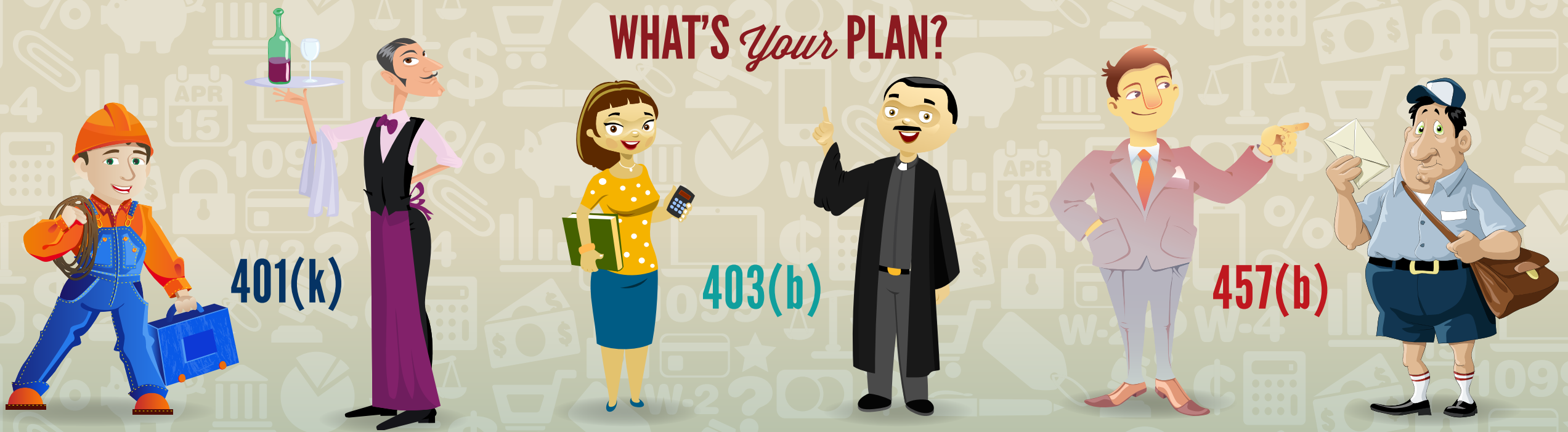


### DID YOU KNOW?

Social Security and Medicare taxes are withheld from your contributions.

State and local government employers cannot offer 401(k) plans to their employees unless the plan has been around since before 1986.

# WHAT'S *Your* PLAN?



## CONTRIBUTION LIMITS

Employees who are under age 50 *cannot* contribute more than \$23,000 to a 401(k) plan on a pre-tax basis in 2024. Employees who are at least 50 years old at any time during the year can contribute an extra \$7,500 on a pre-tax basis as a “catch-up” contribution. If you want to, though, you can add to this total with after-tax contributions. Your employer might even choose to contribute to the plan in your name. Whatever the case, the grand total

of contributions by you and your employer for a single year, both pre-tax and after-tax, *cannot be more than* \$69,000, or 100% of your yearly wages (whichever is lower) in 2024.

*Suppose you receive \$40,000 in wages in 2024 and you will not reach age 50 during the year. You can defer \$23,000 of those wages to your 401(k) plan on a pre-tax basis. Another \$17,000 (\$40,000 - \$23,000) could be contributed to your plan through after-tax contributions you make and/or contributions from your employer.*

## SIMPLE PLANS

If you work for a small company (100 employees or less), your employer might offer you a **SIMPLE plan** as part of a 401(k) plan. This plan still allows you to contribute a percentage of your pay toward your retirement, but only up to \$16,000 in 2024. You can contribute an additional \$3,500 on a pre-tax basis if you will reach age 50 during the year.

## WHAT HAPPENS TO YOUR CONTRIBUTIONS

Your contributions to a 401(k) plan are put into a special account set up for you by your employer. Your money is then invested in your employer's stock, a mutual fund, a bond fund, some kind of fixed income investment, or some combination of these. Your employer might also choose to "match" your contributions. Your employer does this by putting into your account a certain *fraction of a dollar for every full dollar* you contribute. As a result of these investments and employer contributions, you can expect your retirement money to grow over time.

### DID YOU KNOW?

Your employer has the right to set a limit on the percentage of your pay you can contribute. This limit can be lower than the maximum set by law.

## SECTION 403(b) PLANS



**403(b) plans** are tax-deferred retirement plans for employees of tax-exempt organizations. If you work for a school, college, or university, religious group, or public charity, your employer may offer you this type of plan. You can contribute either to a "tax-sheltered annuity" or to a "tax-sheltered custodial account."

### CONTRIBUTION LIMITS

In 2024, you can contribute up to \$23,000 to your 403(b) plan on a pre-tax basis. Employees who are at least 50 years old at any time during the year can contribute an extra \$7,500 on a pre-tax basis as a "catch-up" contribution. The grand total of contributions by you and your employer for a single year, both pre-tax and after-tax, can't be more than \$69,000 or 100% of your yearly wages in 2024 (whichever is less).



## SECTION 457(b) PLANS

**457(b) plans** are tax-deferred retirement plans for employees of state and local governments. Employees of tax-exempt organizations other than churches can also use this plan.

### CONTRIBUTION LIMITS

In 2024, you can contribute up to \$23,000 on a pre-tax basis to your plan. Employees who are at least 50 years old at any time during the year can contribute an extra \$7,500 on a pre-tax basis as a catch-up contribution. Your employer can also contribute to the plan on your behalf. The grand total of contributions by you and your employer for a single year, both pre-tax and after-tax, can't be more than \$69,000 or 100% of your yearly wages in 2024 (whichever is less).

During the last three years before retirement, you might be able to contribute as much as double your elective deferral limit on a pre-tax basis. Your employer may allow you to contribute more than the usual limit during these three years, if you contributed less than your legal limit in previous years. Ask your employer for details about your specific plan.

Once you've selected your benefits, they can't be changed during the plan year unless one of the following events occurs and the plan allows the change:

1. Significant change in health care premiums
2. Your health care coverage is significantly lessened or ended altogether
3. The plan adds a new benefit option or significantly improves an existing one
4. Your spouse or child changes their benefit election under their employer's cafeteria plan
5. Your status or your spouse's or child's status changes

#### CHANGES THAT CAN AFFECT YOUR BENEFITS

1. **Marital status:** marriage, divorce, death of spouse, legal separation, or annulment
2. **Number of children:** birth, adoption, placement for adoption, or death of a child
3. **Employment status (for you, your spouse, or child):** getting or losing a job, being on strike or locked out, going on or coming back from a leave of absence, change in worksite, change from full-time to part-time, exempt to nonexempt, or salaried to hourly status

4. **Child status:** reaching a certain age
5. **Residency status (for you, your spouse or child):** moves to a different area

#### FLEXIBLE SPENDING ACCOUNTS

Many employers offer flexible spending accounts (FSAs) as part of their cafeteria plans. If you choose to, you can have pre-tax deductions taken out of your paychecks and put into your own flexible spending account. You can put up to \$3,200 in 2024 into your health care flexible spending account. You can then use this money to pay for certain medical, dental, or vision care expenses that aren't covered by your insurance. You can also set up a second flexible spending account to pay for child and dependent care expenses.

You can withdraw more money from the medical flexible spending account than you've put into it, but only up to the total amount of your yearly deductions. To pay for dependent care expenses, you can take out only as much money as you've already deposited into the account during the plan year.



**WARNING!**

#### USE IT OR LOSE IT!

Generally, you need to spend all the money you've put into your flexible spending account by the end of the plan year. If you don't, any balance remaining in your account will be lost! But there are two exceptions. Your plan can add a "grace period" for medical expenses paid up to 2½ months after the end of the year OR allow you to carry over a certain amount in your account from one year to the next. The carryover limit is adjusted annually for inflation and for 2024 it is \$640. Be sure to figure out how much money you think you'll need in the account before deciding on the size of your deductions.



## MEDICAL SAVINGS ACCOUNTS

If you work for a small employer (50 employees or less), it may offer a medical savings account. These are set up to help people covered by high-deductible health insurance plans. (A “deductible” is the amount of your medical bills that you’re expected to pay each year. Once you reach this deductible, your health insurance company will take over and pay the rest of your bills.) In 2024, you can set up a medical savings account if you’ve got individual coverage with a yearly deductible of \$2,800 to \$4,150, or if you’ve got family coverage with a yearly deductible of \$5,550 to \$8,350. You fund your medical savings account through deductions from your wages, or your employer may make these contributions for you. You can use the money in your account to pay for certain kinds of medical expenses.

### TAX BENEFITS

Medical savings accounts make it possible for you to reduce your total tax bill, because you’re allowed to deduct your contributions from your gross income on your income

tax return. **If your employer makes the contributions on your behalf, these aren’t thought of as part of your wages. You don’t pay federal income or employment taxes on these amounts either.**

When you withdraw money from your account to pay for medical expenses, this money is tax-free. However, if you use your medical savings account funds to pay for nonmedical expenses, the amount withdrawn is subject to income tax, as well as an extra 20% tax. This holds true unless you pull this money out of your medical savings account after you’ve reached age 65 or have become disabled.



In these circumstances, the amount withdrawn won’t be taxed.

### CONTRIBUTION LIMITS

Each year, you or your employer can contribute to your medical savings account as much as 65% of the health plan deductible for individual coverage, or as much as 75% of the deductible for family coverage. If your employer makes contributions for you, these will show up on your pay stub along with your other pre-tax deductions. Employer contributions will also appear on your annual Form W-2, *Wage and Tax Statement*.

## HEALTH SAVINGS ACCOUNTS

Health savings accounts are designed to help employees save for medical expenses while they are employed and beyond, into retirement. In general, health savings accounts are tax-exempt trusts or custodial accounts created to pay for the qualified medical expenses of the account holder and his or her spouse and dependents.

## YOU MUST BE IN A HIGH DEDUCTIBLE HEALTH PLAN

Health savings accounts may be established by individuals who are covered by a high deductible health plan, which is defined in 2024 as a plan with an annual deductible of at least \$1,600 for individual coverage or \$3,200 for family coverage, and that has an out-of-pocket expense limit of no more than \$8,050 for individual coverage and \$16,100 for family coverage.

Generally, you can't open a health savings account if you are covered under a high deductible health plan and another health plan, although there are exceptions for workers'

compensation, auto insurance, and other limited coverage plans.

## TAX BENEFITS

Employer contributions to a health savings account (including salary reduction contributions made through a cafeteria plan) are not subject to income and employment taxes if the employer reasonably believes at the time the contribution is made that it will be excludable from the employee's income.

For 2024, the maximum annual contribution that can be made to a health savings account is \$4,150 for individuals and \$8,300 for family coverage. If you will be 55 or older by the end of 2024, you

can make an additional catch-up contribution of \$1,000 to a health savings account unless you are eligible for Medicare.

Distributions from a health savings account for qualified medical expenses are excluded from your income if they are not covered by insurance or otherwise. Distributions from a health savings account that are not for qualified medical expenses are included in gross income and are subject to an additional 20% tax unless made after death, disability, or the individual becomes eligible for Medicare. Employer contributions, including salary reduction contributions through a cafeteria plan, will be reported on your W-2.

# TRANSPORTATION FRINGE BENEFITS

**Your employer can help you save money on the cost of getting to work without increasing your taxable income. Your employer can pay for transportation benefits outright or set up a pre-tax deduction so you can buy these benefits with tax-free earnings. The following benefits can be provided using either of these arrangements:**

1. Your employer can have you and your coworkers driven to work and back home again in a company van. The maximum value of this service is \$315 per month in 2024.
2. Your employer can supply you with transit passes, tokens, or fare cards, up to a maximum value of \$315 per month in 2024.
3. Your employer can provide parking on or near the worksite, or at a "park and ride" location, up to \$315 per month in 2024.

# AFTER-TAX DEDUCTIONS

## INTRODUCTION

You already know that taxes and pre-tax deductions are deducted from your wages before you receive your paycheck. There's one more kind of payment that's withheld directly from your earnings—after-tax deductions. There are two types of after-tax deductions: (1) “voluntary deductions,” which can be used to pay union dues or to make contributions to a charity, among other things, and (2) “involuntary deductions,” which is money withheld as a result of an order issued by a court or government agency. You must pay it, whether you want to or not. Involuntary deductions can be deducted from your earnings to pay child support, unpaid taxes, or personal debts.

Whether your after-tax deductions are voluntary or involuntary, they come out of the earnings that are left after all of your taxes have been withheld. After-tax deductions do not affect the amount of taxes you owe.

## INVOLUNTARY DEDUCTIONS

If you ever get hit with an involuntary deduction, you should know that your employer has no choice but to withhold the amount indicated in the court or government order. Your employer is required to send that amount to the person or agency you owe. Any employer that disobeys this type of order will be subject to fines and will have to pay whatever part of the required amount wasn't taken out of its employee's pay. Involuntary deductions are usually used to pay unpaid taxes, child support orders, creditor garnishments, bankruptcy orders, and unpaid student loans.

## UNPAID TAXES

If you don't pay your federal taxes on time, and refuse to cooperate with the IRS's efforts to collect those taxes, the IRS might issue a “tax levy” against your wages. Your employer will be required to deduct whatever amount you owe the IRS from your wages, plus penalties and interest charges. If this amount is small, the total will be taken from one paycheck. Deductions for larger tax bills will be spread out over several pay periods. This deduction does not affect the taxes you pay on your wages. States and localities will also issue tax levies if they are owed income tax.

When you've paid your entire tax bill, including penalties and interest, the IRS will send a written notice to confirm this to your employer. At this point, the involuntary deductions will stop. State tax levies work the same way as federal tax levies.

## THE PART OF YOUR PAY THAT IS SUBJECT TO TAX LEVY

There is a limit to the amount of your wages the IRS can have withheld. Some of your take-home pay is exempt from deduction based on your estimated living expenses. Your take-home pay is equal to your gross pay minus any amounts withheld by your employer, such as taxes and health insurance. These are the taxes and deductions that your employer can take out of your gross pay:

- **Federal, state, and local income taxes**, as well as employment taxes (Social Security and Medicare).
- **Any other involuntary or voluntary deductions already being withheld from your wages when the IRS issued the tax levy against you.** The amount of these deductions can be increased when necessary. Suppose,



Your take-home pay is equal to your gross pay minus any amounts withheld by your employer, such as taxes and health insurance.

for instance, that you're having a certain percentage of your salary put into a retirement plan each payday. Then your supervisor gives you a raise. Since your salary goes up, the deduction for your retirement plan will also go up. Your deductions can also increase as a result of a hike in the cost of your benefits.

- **Any additional, required deductions that are introduced by your employer after the IRS issues the levy.** For example, if you work in a union shop, your employer can require you to pay union dues.

Your employer determines the amount of your income that is exempt from the tax levy based on your tax filing status and the number of dependents you claim on the 668-W (see [IRS Publication 1494](#) for the relevant exempt amount tables). This exempt amount is subtracted from your



take-home pay and paid to you. The rest of your take-home pay goes to the IRS to pay off your tax bill.

## THE TAX LEVY AND OTHER INVOLUNTARY DEDUCTIONS

Bankruptcy orders always have to be paid before tax levies. Child support withholding orders, if they were already in effect when the levy was issued, also have to be paid before you pay the IRS. Otherwise, your employer has to satisfy your tax levy before all of your other involuntary deductions. If you've got more than one tax levy against your wages, and your earnings can't pay for all of them, your employer generally has to satisfy the one received first before turning to the others.

## CHILD SUPPORT WITHHOLDING ORDERS

Wages withheld from your paychecks to satisfy a child support order are another kind of involuntary deduction. If you're obligated by a court or agency order to pay child support, your earnings are subject to immediate and automatic withholding by your employer. Sometimes both parents, or one parent and the court,



agree to a different method of payment. In that case, child support does not need to be paid with involuntary deductions. If a child support payment is ever late, wage withholding will automatically start. It does not require a court or agency hearing. State child support agencies are not required to notify you before sending a withholding order to your employer. They're only required to tell you about it afterward. In addition, your employer has to obey a child support withholding order received from another state.

#### WHEN WITHHOLDING BEGINS, AND WHEN IT ENDS

Your employer will start withholding child support within the time period required by state law after receiving the order. Your employer sends the money to the state disbursement unit named in the order. The deductions will continue until your employer receives written notice from the court or agency that issued the order to stop the withholding. When your child or children become “emancipated”—that is, when they reach the age of 18 or 21, **depending on the state**—you no longer have to pay child support. In this case, it's your responsibility to have an order issued to stop the withholding.



# Know Your Rights

## YOUR PROTECTED EMPLOYMENT

Your employer can't fire you, punish you, or discriminate against you because your pay is subject to child support withholding. If an employer does, it will be hit with stiff fines and can, if you were fired, be ordered to give your job back.

## GARNISHMENTS

You cannot be fired because your earnings are subject to garnishment for a single debt, no matter how many garnishments are issued to collect it. A single debt usually means one debt owed to one creditor, but a single debt also results when several creditors combine their debts into a single “garnishment action.” It's also considered a single debt when one creditor combines a number of debts into one garnishment.

## BANKRUPTCY ORDER

Your employer cannot continue to withhold wages for other garnishments (except for child support) unless the trustee instructs your employer to do so. If you have a creditor that isn't listed in the bankruptcy order, your employer needs to ask the trustee whether or not to continue with that specific garnishment. *You cannot be fired for having a bankruptcy order issued against you.*

# % OF DISPOSABLE EARNINGS *that can be* WITHHELD *for* CHILD SUPPORT

## DO YOU MAKE YOUR CHILD SUPPORT PAYMENTS ON TIME?\*

Are you already supporting another spouse and/or child?	<b>YES</b> I make my payments on time	<b>NO</b> I am more than 12 weeks late with payments
<b>YES</b>	50% withheld	55% withheld
<b>NO</b>	60% withheld	65% withheld

\*Your employer withholds your current support obligations before turning to past-due amounts. If you're paying past-due child support, your current payments plus these other amounts cannot exceed the maximum percentage. State law can lower the maximum percentage that may be withheld, but cannot raise the percentage past the federal limits shown here.

### THE PART OF YOUR PAY THAT IS SUBJECT TO CHILD SUPPORT WITHHOLDING

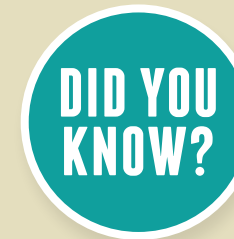
The order received by your employer states the amount to be deducted from your wages. This amount is subtracted from your "disposable earnings," which are what's left from your gross pay after your employer deducts any amounts for income and employment taxes. Federal law sets limits on the percentage of your disposable earnings that can be withheld to pay for child (or spousal) support (see table above).

### CHILD SUPPORT AND OTHER INVOLUNTARY DEDUCTIONS

Tax levies receive priority. Tax levies that your employer received before the child support withholding order was established by the agency or court have to be paid before the child support, unless the IRS says otherwise. Other than this exception, your employer has to satisfy your child support withholding before all of your other involuntary deductions.

Your employer must deduct the full total required by the support order. If it does not, it is responsible to pay the amount that was not

correctly withheld. Also, depending on state law, your employer may be allowed to deduct a small fee each pay period for processing wage-withholding orders.



State child support agencies are not required to notify you before sending a withholding order to your employer. They're only required to tell you about it afterward.

## CREDITOR GARNISHMENTS

If you owe a debt to someone, that person (your creditor) might go to court to have some of your wages withheld from your paycheck and sent to him or her. This is called a “creditor garnishment.” A creditor garnishment requires your employer to withhold the amount you owe from your take-home pay, up to a certain legal maximum (see below).

### WHEN WITHHOLDING BEGINS, AND WHEN IT ENDS

Your employer will receive a court notice explaining the reason for the garnishment and the total amount of your debt. Your employer should give you a copy of this notice and then begin withholding wages. This deduction ends when you’ve paid off your entire debt.

### THE PART OF YOUR PAY THAT IS SUBJECT TO CREDITOR GARNISHMENTS

The maximum amount of your take-home pay that can be garnished in a week is the smaller of the following two possibilities:

1. **25% of your weekly disposable earnings.**
2. **Your weekly disposable earnings minus \$217.50 (30 times the current federal minimum wage of \$7.25).**

Say you have \$400 in weekly disposable earnings. To figure out your maximum garnishment:

*(1) Multiply your weekly disposable earnings by 25%:  $\$400 \times .25 = \$100$ .*

*(2) Subtract \$217.50 from your weekly disposable earnings:  $\$400 - \$217.50 = \$182.50$ .*

*(3) Compare the two results.*

*\$100 is the maximum amount that can be withheld from your paycheck weekly.*

These amounts can be adjusted if you’re not paid on a weekly basis. State law can’t allow a higher limit on creditor garnishments but can set a lower limit. In some states, this type of involuntary deduction is illegal.

### CREDITOR GARNISHMENTS AND OTHER INVOLUNTARY DEDUCTIONS

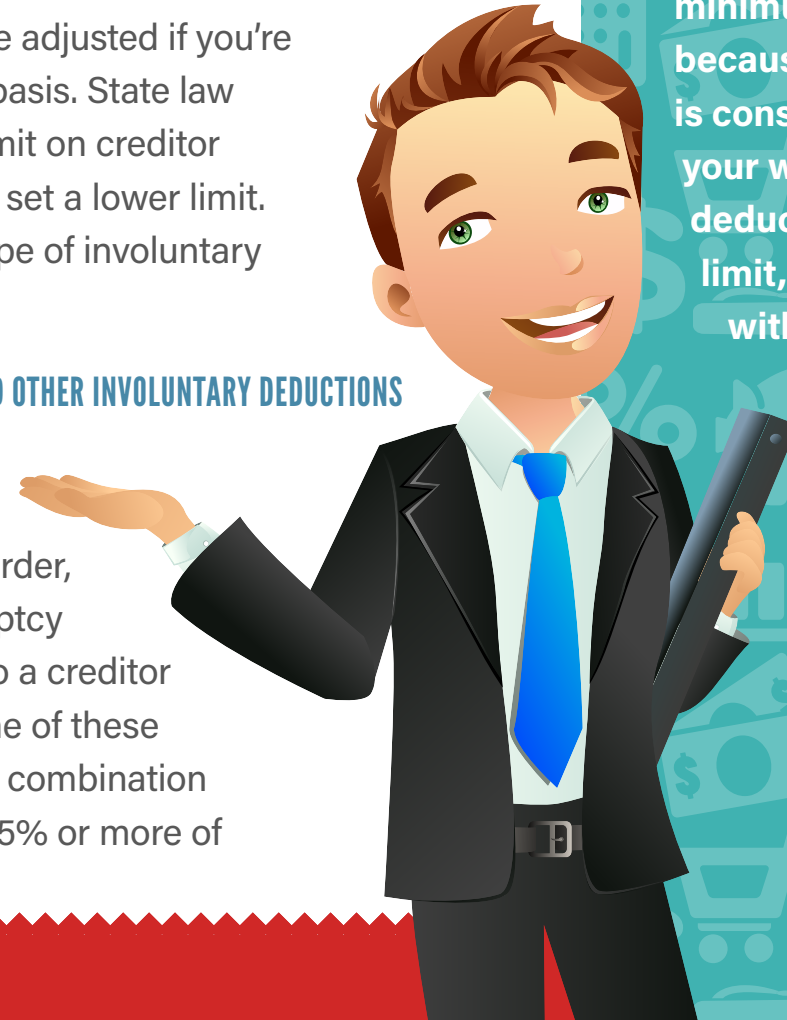
Your employer has to deduct for a child support withholding order, a tax levy, or a bankruptcy order before turning to a creditor garnishment. If any one of these other deductions, or a combination of them, amounts to 25% or more of



**WARNING!**

### IF YOU’RE PAID BY THE HOUR, BE CAREFUL

Creditor garnishments may reduce your earnings below minimum wage. This is possible because the amount withheld is considered to be part of your wages. If your employer deducts more than the federal limit, though, the extra amount withheld isn’t thought of as part of your earnings. This extra deduction may not reduce your pay level below the minimum wage.



your disposable earnings, your employer can't withhold anything for the garnishment.

### MULTIPLE GARNISHMENTS

Regardless of how many garnishments are issued against you, the limit outlined above still applies. Once your employer is withholding the maximum amount from your wages, nothing further can be deducted, even if another garnishment is received. The order in

which garnishments must be paid varies in different states.

### BANKRUPTCY ORDERS

If you've been legally declared bankrupt, a "bankruptcy trustee" is appointed by the bankruptcy court and will arrange for the payment of your creditors. This trustee might send a bankruptcy order to your employer, requiring that a certain amount of your earnings

be paid to the trustee. The bankruptcy trustee will pay your creditors with these withheld wages.

### BANKRUPTCY ORDERS AND OTHER INVOLUNTARY DEDUCTIONS

Bankruptcy orders have to be satisfied before all other claims against your wages, other than child support withholding orders and repayments of loans from your retirement plan. When your employer receives a bankruptcy



# Know Your Rights

The following restrictions apply to student loan garnishments:

- No more than 15% of your disposable earnings can be withheld to satisfy an unpaid student loan, unless you agree in writing to a higher percentage.
- The loan guarantee agency has to tell you about the garnishment at least 30 days before your employer starts withholding your wages. You can use that time to work out a repayment schedule for the loan to avoid having your earnings garnished.

- Your employer cannot fire or discriminate against you because of a student loan garnishment. If you are fired because of this garnishment, you can take your employer to court. The court may order your employer to rehire you, and to pay the back wages you lost while you were out of work.
- Your student loan garnishments are more important than other garnishments received later, except for child and spousal support withholding orders.

- Suppose you lose your job, but manage to find another one within a year. Your wages can't be garnished to pay off a student loan until you've been employed at that second job for at least 12 months.
- Any employer that does not obey a student loan garnishment order will have to pay whatever amount wasn't correctly withheld from the employee's wages. Such an employer will also be hit with fines and court fees.

### STUDENT LOANS

If you've failed to repay a loan granted under the federal Guaranteed Student Loan Program, your wages may be garnished to pay off this debt.

**Note:** The [pause on loan payments](#) offered during the COVID-19 pandemic ended in September 2023. The U.S. Department of Education has canceled any previous garnishments and will not initiate new garnishments on federal student loans until late 2024.



order, your other involuntary deductions that don't have priority will cease. Your trustee will arrange for you to pay off all your debts, including those represented by these involuntary deductions.

### OTHER FEDERAL DEBTS

Your wages can be garnished to pay off loans or benefit overpayments made by other agencies of the federal government, such as the Small Business Administration, Social Security Administration, Veterans Administration, and Housing and Urban Development.



## VOLUNTARY DEDUCTIONS

Not every after-tax deduction is involuntary. You can choose to have wages subtracted from your take-home pay each pay period to repay a debt, pay union dues, make contributions to a charity, etc. Remember, though, that these after-tax deductions won't lower your taxes or limit your involuntary deductions. Your employer will see to it that all your other deductions are made before turning to any voluntary withholding from your wages.

### WAGE ASSIGNMENTS

If you're in debt, you can voluntarily agree to have part of your wages sent each payday to someone called an "assignee." This person will see to it that your creditor is paid off, if for some reason you don't succeed in repaying your debt on time. This is called a "wage assignment."

You may also use a wage assignment to pay child support or pay back-taxes to the IRS. By signing up for voluntary withholding in these cases, you avoid having involuntary deductions taken from your earnings.

### WAGE ASSIGNMENT LIMITS

Since wage assignments are voluntary, there are no federal limits set on them. If the wages you assign aren't enough to pay off a certain debt, though, and a creditor garnishment is issued, the garnishment limits will apply to your withholding.

Wage assignments can legally lower your earnings below minimum wage. The money paid to your assignee is thought of as money paid to you.

### WAGE ASSIGNMENTS AND STATE LAW

Even though federal law doesn't limit wage assignments, your state law might. You should check with your employer, [your state's labor department](#), or a lawyer before agreeing to a wage assignment. The following issues may affect wage assignments in your state:

- Your employer can refuse to accept wage assignments, unless legally required to do so.
- Your state might not allow wage assignments at all.

# ELECTRONIC WAGE PAYMENT: GO GREEN WITH YOUR GREEN



## GET PAID AND GO GREEN

Every year, billions of paychecks are issued to America's 162 million employees, but how you're paid could be damaging the environment. Electronic pay offers the following three payment methods to make your paycheck more environmentally friendly:

- Direct Deposit
- Paycards
- Prepaid Reloadable Cards

## DIRECT DEPOSIT

Direct deposit works by depositing your pay directly into your checking or savings account through a highly secure, electronic banking system. Direct deposit is the least expensive and most reliable way to receive your pay, and the federal government protects bank accounts up to \$250,000.

## BENEFITS OF DIRECT DEPOSIT

- Your pay goes straight into your bank account.
- No waiting in line at the bank drive-through, idling your car and releasing dangerous ozone-depleting emissions.
- Your money is always there on payday, even when you're on vacation.
- You won't have to pay check cashing fees.
- Most banks offer free ATM cards to access your money anytime, at an ATM or as cash back from a retailer. Fees may apply at other banks' ATMs.
- You can check your balance via online, smartphone app, telephone, text messaging (standard data rates may apply), or at an ATM (fees may apply at ATMs). Most banks also offer free services like online transfer of funds, bill paying, etc.

To sign up for direct deposit, talk to your company's payroll department.

# YOUR RIGHTS AND RESPONSIBILITIES IN THE WORKPLACE

## FIRST THE BASICS: FORM W-2, YOUR WAGE AND TAX STATEMENT

When you become an employee, you gain the legal right to various benefits and opportunities. These can help you save money on your federal income tax return, take time off without being fired when a family member gets sick, you adopt a child, among other things. Your employer may help out, but it's generally your responsibility to act. This final section explains the programs available, and what to do to make them work for you and your family.

[Form W-2](#) lists all wages paid by your employer and the total amount of tax deductions made during the calendar year. It is used to complete your federal income tax return and any state or local income tax returns that are required. Your employer reports the information on your W-2 to the [Social Security Administration](#) so your Social Security account can be credited. The Social Security Administration then passes the information to the IRS.

If you use a professional tax return preparer, accountant, or return preparation company to file your taxes, make sure you give them all of your W-2 forms at the start. Do not substitute your final pay stub of the year for your W-2 because some of the information on the pay stub may have changed before you received your W-2.

Each employer you worked for during the year must give you a W-2, even if you only worked for the employer for one day.

If *any* of the following conditions applied to you during the previous calendar year, your employer has to get your W-2 in the mail to you by January 31 of the current year:

- **You received payment from your employer for work you performed.** This payment could have taken the form of wages, tips, or some other kind of compensation.
- **You had federal income, Social Security, and Medicare taxes withheld from your pay.**
- **You would have had income taxes withheld from your pay,** but you had a 2019 or earlier W-4 on file with your employer on which you claimed 0 or 1 withholding allowances, which resulted in no taxes being deducted.
- **You would have had to pay income taxes,** but you realized you were exempt from withholding.

## YOUR W-2 MAY COME TO YOU BY EMAIL OR OVER THE INTERNET

Your employer may provide your W-2 electronically rather than on paper, with your approval. If you agree by responding electronically to your employer's notice, your W-2 will be made available on the internet at a secure website or sent to you as an email attachment by January 31. You can then print out all the copies you need or download the information to an income tax return preparation program to file your tax returns with the IRS and state or local government agencies. If you don't agree, your employer must give you a paper W-2.

### DID YOU KNOW?

If you agree to get your W-2 electronically but then change your mind, you can withdraw your agreement, but your employer then has 30 days to provide your paper W-2.

Your W-2 includes only those wages paid to you during a specific calendar year, no matter when you earned those wages.

*Suppose you earn \$400 between December 25 and December 31, 2023. You don't actually receive those wages until January 1, 2024, so the amount you earned that week won't appear on your 2023 W-2. Those earnings will instead show up on your 2024 W-2.*

### WHAT TO DO IF YOU LOSE YOUR W-2

Your employer can replace the lost form with a "reissued statement." This will take a little time to process, so be prepared to wait. Your employer might charge you a fee for providing you with a new W-2.

### CHECK YOUR W-2 FOR MISTAKES!

Make sure your name, address, and Social Security number are correct. You should also compare your final pay stub for the year with the wage, tax, and other amounts shown on the W-2 to be certain your employer got all the numbers right. Mistakes on your W-2 could cause an incorrect amount of earnings to be reported to the Social Security

Administration. If this happened, you might end up receiving lower Social Security benefits after retirement than you're actually owed. If you spot a mistake, let your employer know immediately so it can be corrected as soon as possible.

Some of the totals on your W-2 might not match those shown on your final pay stub. This doesn't mean that either the W-2 or the pay stub is wrong. Instead, it could mean that some of your wages weren't subject to withholding for income or employment taxes.

*Suppose that you contributed to a 401(k) retirement plan throughout the year. The amounts you paid into the plan were not subject to income tax withholding, so they will not appear on your pay stub as part of your gross taxable wages. They also won't show up in your federal taxable income total (Box 1) on your W-2. Your gross taxable wages (from your pay stub) should match the number in Box 1 of your W-2.*

Even though income taxes weren't taken out of your 401(k) contributions, employment taxes (Social Security and Medicare) were




subtracted from these contributions. The wages you paid into your retirement plan will appear as part of your total earnings in Boxes 3 and 5 of your W-2, where your total wages subject to employment taxes are shown. (These amounts will also be included in Box 12, and your employer has to check the “Retirement plan” box in Box 13, except for 457(b) plans.) In this case, the number that appears in Boxes 3 and 5 on your W-2 will not match your gross taxable wages on your pay stub; the number on your W-2 will be higher.

### IF YOU LEAVE YOUR JOB

If your employment ends before the calendar year, you can make a written request to your employer for your W-2 at that time, but, if you’re not in a hurry, you will receive the form the following January. If you request your W-2 in writing, your employer has to mail out your W-2 within 30 days of your request, or within 30 days of your final wage payment, whichever happens later.

## THE EARNED INCOME CREDIT

Once you have your W-2 you’re ready to file your income tax return. If you earned less than a certain amount last year you’re entitled to the “earned income credit,” a tax credit you’ll receive in the form of a tax refund. Your W-2 will tell you about the earned income credit if you qualify for it, but it’s your responsibility to claim the credit when you file your income tax return. Even if you don’t usually file a tax return because your income is lower than the filing requirements, *you must file a tax return to receive the credit.* For 2024, the maximum credits available are as follows below:

If you have:		Your maximum credit is:
	1 One qualifying (dependent) child	\$4,213
	2 Two qualifying children	\$6,960
	3 Three or more qualifying children	\$7,830
	0 No qualifying children	\$632

Also, see the full [Who Can Claim the Earned Income Credit?](#) table on the following page.

### DOES MY EMPLOYER HAVE TO TELL ME ABOUT THE EARNED INCOME CREDIT?

If there’s no federal income tax withheld from your wages, your employer is required by law to tell you that you’re entitled to the earned income credit. This holds true unless you claimed to be exempt on your W-4. If you earn less than \$66,819 in 2024, your employer is encouraged to tell you about the earned income credit, though the law doesn’t require this.

Your employer has to provide you with *one* of the following documents when notifying you about the earned income credit:

1. Copy B of Form W-2: this has the earned income credit statement on the back.
2. Notice [797](#), *Possible Federal Tax Refund Due to the Earned Income Credit*.
3. A written statement with the exact same wording as Notice 797.

Your employer also may be required by state or local law to notify you about the earned income credit, whether you appear to be eligible or not.

### CAN I GET ADVANCE PAYMENTS OF THE EARNED INCOME CREDIT?

You cannot get advance payments of your earned income credit. You need to claim it all on your income tax return.

## CHECK ON YOUR SOCIAL SECURITY BENEFITS

The Social Security Administration can provide you with an estimate of your Social Security benefits from their website at [ssa.gov/prepare/plan-retirement](https://ssa.gov/prepare/plan-retirement).



## HOW TO PREVENT ERRORS

You can help to make sure that all your wages are properly reported to the Social Security Administration if you're careful to do each of the following:

1. **Report a name change** by calling 800-772-1213, asking for [Form SS-5](#), the *Application for a Social Security Card*, completing the form, and submitting it to the Social Security Administration.
2. **Check your name and Social Security number on your employer's payroll records** whenever you're asked to, and on your W-2 when you receive it each year. The information should agree with your Social Security card.
3. **Reply quickly to the Social Security Administration if you're contacted about name changes**, since this probably means your name or Social Security number has been entered incorrectly on your W-2 or on some other official form.

## WORKERS' COMPENSATION INSURANCE

If you're injured or get sick on the job, you might be entitled to workers' compensation benefits. All employers are required by law to carry workers' compensation insurance. In the event you suffer a work-related injury or illness, this insurance pays all your medical bills. This is true no matter who is responsible for the error that led to your injury or sickness. Over and above these medical bills, workers' compensation insurance also pays you income benefits during the time you're unable to work. These cash benefits are usually some percentage of your regular wages.

## TAXES AND YOUR WORKERS' COMPENSATION BENEFITS

Your workers' compensation benefits are not considered to be wages, nor are they included in your gross income. They are *not* subject to income taxes, Social Security tax, or Medicare tax, as long as they don't go over the benefit limit set by state law.

Some larger employers, usually in the public sector, are self-insured and pay workers' compensation benefits themselves. If this is the case with your employer, your benefits will still be tax exempt.

While you're receiving workers' compensation benefits, your employer might keep paying you all or part of your regular wages. These wages are subject to withholding for all income and employment taxes. This kind of

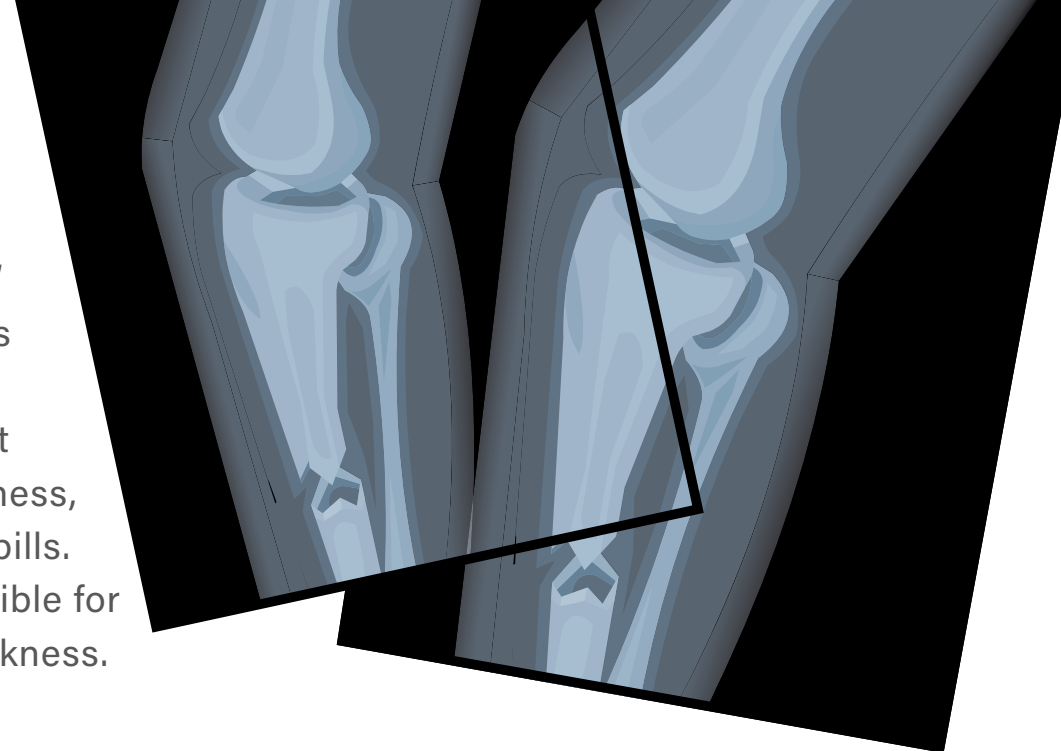
arrangement might also require you to turn over your workers' compensation benefits to your employer.

## THE FAMILY AND MEDICAL LEAVE ACT

If you work for a company with 50 or more employees within a 75-mile radius of your worksite, the Family and Medical Leave Act applies to you. This law gives you the right to take up to 12 weeks of unpaid leave per year to deal with:

- Your own serious illness.
- A serious illness of your child, spouse, or parent.
- The birth of a child.
- The placement with you of an adopted or foster child.
- An emergency because your spouse, child, or parent is on active duty with the military or has been notified of a call to such active duty.

While you're on leave, you have the right to continue your health coverage just as though





you were working. This means that if you had to pay all or part of your insurance premiums while you were on the job, you have to keep paying those during your leave.

When you come back from leave, you should get your old job back or at the very least a job with similar pay and benefits.

### WHICH EMPLOYERS HAVE TO GRANT FAMILY AND MEDICAL LEAVE?

Employers have to adhere to the Family and Medical Leave Act if they have 50 or more employees working either at a single worksite or within 75 miles of each other. This minimum of 50 employees includes part-timers and any workers who are on leave or suspension.

### WHICH EMPLOYEES ARE ENTITLED TO TAKE FAMILY AND MEDICAL LEAVE?

You can take advantage of the Family and Medical Leave Act if *all* of the following conditions apply to you:

1. **You work for a covered employer.**
2. **You've been working for this same employer for at least 12 months** before you request family or medical leave. These 12 months do not have to have been in a row, but hours worked before a break of seven years or more need not be counted.
3. **You've worked for this employer at least 1,250 hours during the 12 months** before your leave request. (This amounts to eight months of work at 40 hours per week, or 12 months of work at 25 hours per week.)

Seasonal and part-time employees can take family and medical leave if they meet *all* of these requirements. Employers do *not* have to offer family and medical leave to "key salaried employees," i.e., those workers who belong to the highest-paid 10% of a

company's workforce, if their absence would significantly hurt the company.

### WHEN CAN I TAKE FAMILY AND MEDICAL LEAVE?

If you request leave because of (1) the birth of a child, or (2) the placement of an adopted or foster child, you have to take the leave within 12 months of the birth or placement.

If you need leave (1) to care for someone in your family with a serious health condition, (2) because of your own serious health condition, or (3) to deal with an emergency caused by a family member's call to active duty, you have to use the leave within a



### QUICK TIP

The Family and Medical Leave Act allows you to take up to 26 weeks of unpaid leave to care for a spouse, child, or parent who suffers a serious injury or illness in the line of duty while on active duty with the military.

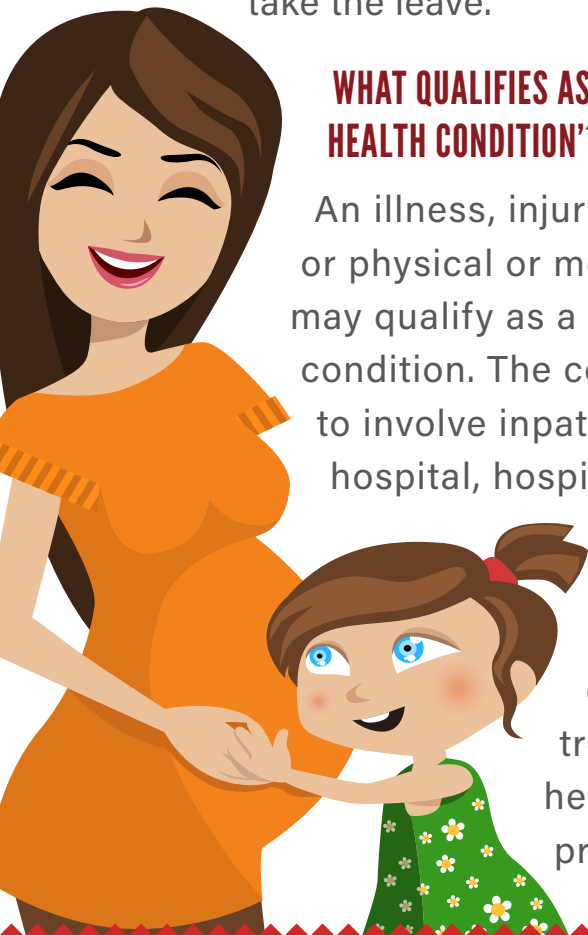


12-month period. Your employer sets this 12-month period; it can be a calendar year, a fiscal year, or a year beginning on the date you started work or the day your leave began.

If you request leave to care for a family member with a serious injury or illness suffered in the line of duty while on active military duty, the 12-month period you have to take the leave begins on the first day you take the leave.

### WHAT QUALIFIES AS A 'SERIOUS HEALTH CONDITION'?

An illness, injury, impairment, or physical or mental condition may qualify as a serious health condition. The condition has to involve inpatient care in a hospital, hospice, or residential medical care facility, or some kind of continuing treatment by a health care provider.



This continuing treatment has to keep the patient out of work or school for at least three days in a row, including weekends and holidays. Continuing treatment also has to involve follow-up care by a health care provider—two visits in the first 30 days, with the first visit within seven days of the first day of incapacity. Exceptions are made to this three-day requirement in the case of treatment for chronic conditions, such as asthma or diabetes, and in the case of treatment for pregnancy.

### CAN I TAKE INTERMITTENT LEAVE UNDER THE FAMILY AND MEDICAL LEAVE ACT?

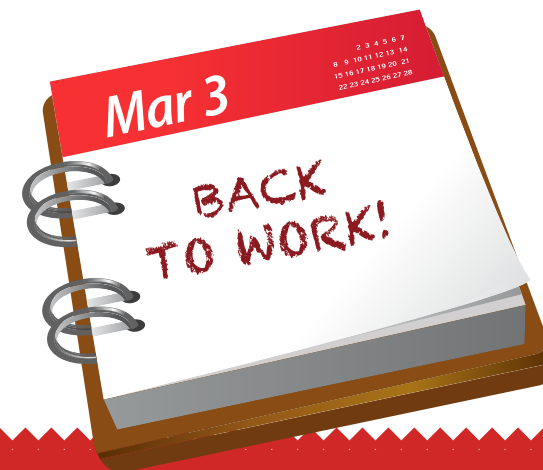
If it's medically necessary, yes, you can take your leave intermittently under the Family and Medical Leave Act. Taking intermittent leave involves spreading out your work absences over several days, weeks, or months, missing a few hours here and a few days there. It can also involve working a reduced schedule, such as going from full-time to part-time employment. You might want to take advantage of this kind of leave if you know you're going to be absent from

**DID YOU KNOW?**

## WHO'S COVERED *and for* HOW LONG?

**Remember, you can only take family and medical leave to care for a child, spouse (including a same-sex spouse), or parent. Other family members and in-laws are not covered by this act.**

If both you and your spouse work for the same employer, the two of you are entitled to a total leave of 12 weeks to take care of a newborn baby, a newly adopted child, or a seriously ill parent. So, for instance, you could each take six weeks, or one of you could take eight weeks while the other takes four, and so on. If you or your spouse become ill, or your child comes down with a serious sickness, each of you can take the full 12 weeks of leave.



work to receive a series of ongoing medical treatments. The hours you are not at work can be deducted from your wages, even if you're an exempt employee. This reduction in your salary will *not* make you a nonexempt (hourly) employee.

### DO I HAVE TO USE UP MY PAID LEAVE FIRST?

Your employer *can* require you to use all your paid, sick, vacation, and personal days before starting your unpaid family and medical leave. These days become part of your total 12-week leave. Your employer has to notify you when your absence from work is being counted under the Family and Medical Leave Act.

### WHEN DO I HAVE TO NOTIFY MY EMPLOYER?

If you request leave to care for a newborn baby or a newly adopted child, or for medical treatments you know about in advance, you need to give your employer 30 days' notice. If that's not realistic, give as much advance notice as possible. The same rules apply to emergency situations: give whatever notice you can. If you knew well in advance the reason for your leave, but you didn't tell your employer about it until the last minute, your employer has the right to deny your leave request for up to 30 days.



# Know Your Rights

## OBEYING THE FAMILY AND MEDICAL LEAVE ACT

If you think your employer is violating the Family and Medical Leave Act requirements, contact the Department of Labor's [Wage and Hour Division](#). You can sue your employer to recover wages and benefits that were illegally denied to you. You can also sue your employer to get your old job back if it is not available when you return from leave, or if you're given a new job that amounts to a demotion. If you win your case, your employer has to pay all costs incurred in your lawsuit.

## HEALTH INSURANCE UNDER THE AFFORDABLE CARE ACT

### LARGER EMPLOYERS MUST PROVIDE HEALTH INSURANCE

The Affordable Care Act (ACA) is the popular name for two laws enacted in 2010 that also are referred to as Health Care Reform or Obamacare. The ACA requires your employer, if it has at least 50 full-time employees, to offer you and your dependents (children) the chance to get affordable health insurance coverage. This is the “Employer Shared Responsibility” requirement.

The insurance also must meet certain standards and cover at least 60% of the expected cost of benefits being paid under the insurance plan. If your employer does not offer you legally acceptable coverage that is affordable, it may have to pay a tax penalty to the IRS.

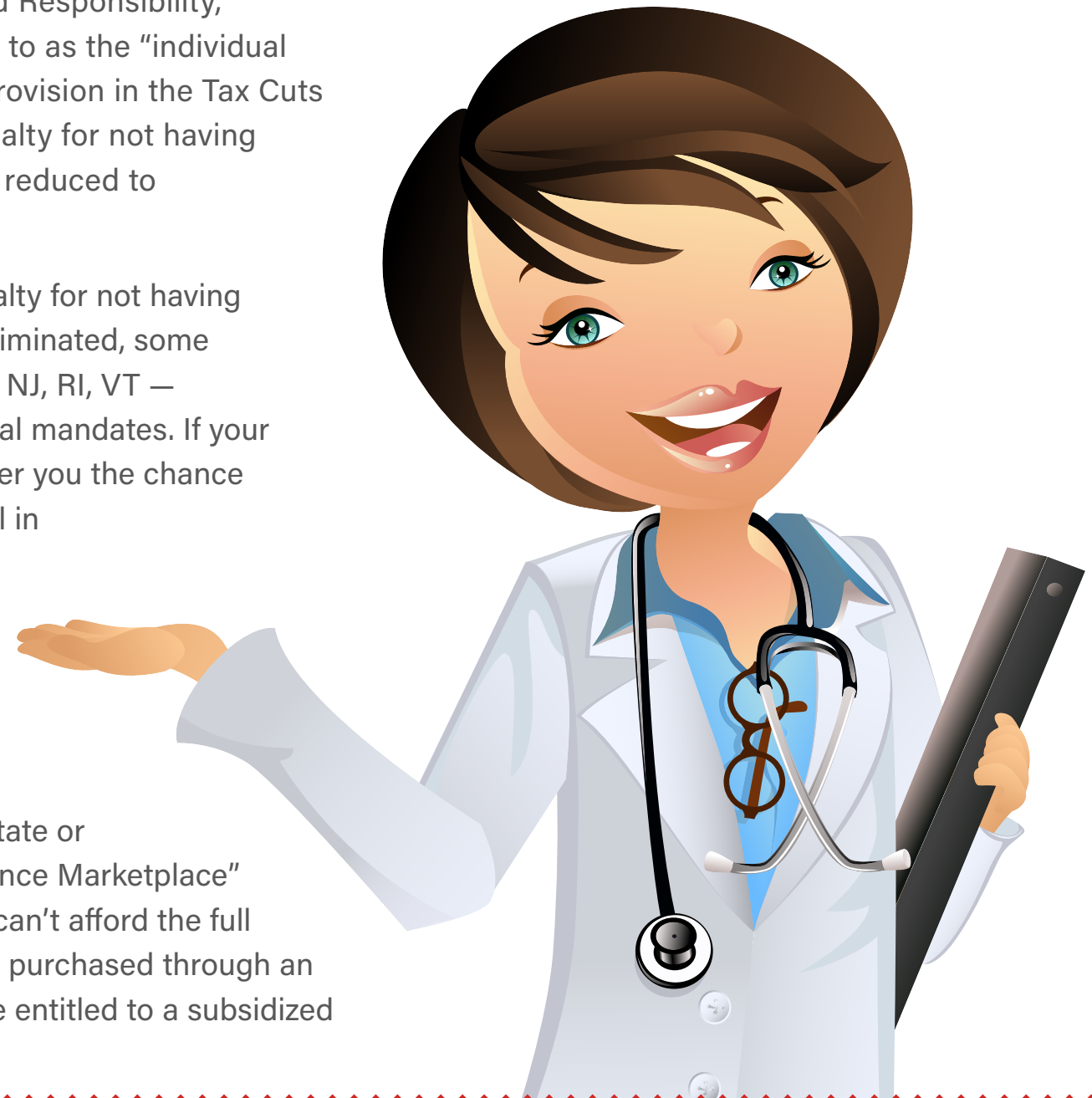
### EMPLOYEE COVERAGE

On the other hand, the ACA also required all individuals to have health coverage beginning in 2014 or pay a tax penalty

when they filed their federal personal income tax return the next year. This is the “Individual Shared Responsibility,” which is also referred to as the “individual mandate.” Due to a provision in the Tax Cuts and Jobs Act, the penalty for not having health insurance was reduced to \$0 beginning in 2019.

While the federal penalty for not having insurance has been eliminated, some states — CA, DC, MA, NJ, RI, VT — have enacted individual mandates. If your employer does not offer you the chance to purchase and enroll in health insurance, you can get coverage on your own, by buying it either on the individual insurance market or through a state or federal “Health Insurance Marketplace” or “Exchange.” If you can’t afford the full premium for coverage purchased through an Exchange, you may be entitled to a subsidized

premium tax credit to help you afford the coverage, depending on your income level.





## QUICK TIP

**BUT BE CAREFUL ...** If you think your income will be a certain amount for the current year and you get a subsidy to purchase health insurance through the Exchange based on that amount but then receive higher earnings during the year, you may have to pay back some or all of the subsidized amount when you file your income tax return.

## REPORTING FORMS TO COME FROM EMPLOYER AND INSURER

For you to properly report whether you had appropriate health insurance coverage for a year, your employer and insurance company will send you forms that contain relevant information. Your employer will send you **Form 1095-C**, *Employer-Provided Health Insurance Offer and Coverage*, which will show you whether you were offered health insurance coverage for each month of the past year. Your employer's health insurance company will send you **Form 1095-B**, *Health Coverage*, which will show you who was covered under the health insurance coverage for which you enrolled.

If your employer is self-insured, meaning that it acts as an insurance company regarding its own employees, you will only get Form 1095-C and your employer will include the information that normally goes on Form 1095-B. The information contained on these forms will help you complete your personal income tax return. Your employer and insurance company also will file copies of these forms with the IRS so the IRS can determine whether your employer met its Employer Shared Responsibility requirements.





## 'COBRA': YOUR RIGHT TO CONTINUED HEALTH COVERAGE

### HOW DO I KNOW IF COBRA APPLIES TO ME?

If you participate in your employer's group health plan, and something happens to cause you and your family to lose those health benefits, you might be able to continue your coverage under **COBRA**, the Consolidated Omnibus Budget Reconciliation Act. COBRA is a federal law that allows you and your family to retain group health insurance for up to three years after experiencing a "qualifying event."

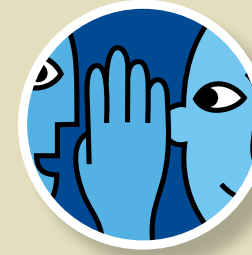
You can keep your health plan benefits going for yourself individually and for any of your family members who were covered at the time the qualifying event occurred. Once you've qualified for continued benefits, your employer can't cut them off any earlier than the law allows. If your employer cancels its entire group health plan, though, your COBRA coverage will cease.



### WHAT COUNTS AS A QUALIFYING EVENT?

Any one of the following events will trigger COBRA coverage:

1. **You leave your job** (for some reason other than "gross misconduct"), or the number of hours you work are cut back.
2. **You become divorced or legally separated.** In this case, COBRA covers the spouse who would otherwise lose access to the group health plan.
3. **You become entitled to Medicare benefits.**
4. **Your child no longer qualifies as your dependent or adult child under age 26 under the group health plan.**
5. **You are retired and bankruptcy proceedings cause you or your dependents to lose coverage.**
6. **You die.** Surviving family members can take advantage of COBRA in this case.



### QUICK TIP

If you want to retain your group health plan coverage, you must inform your employer. You have 60 days from the date your group coverage ends to make up your mind.

### HOW DO I TAKE ADVANTAGE OF MY COBRA COVERAGE?

If you're a covered family member, you might not be notified that your coverage has ended until several days after this has already happened. In that case, you have 60 days from the date you were notified to decide whether or not to continue coverage.

### DO I HAVE TO PAY PREMIUMS UNDER COBRA?

You will be charged premiums for your continued coverage. How much you pay is determined by the regular group premiums charged to your employer by your health plan. You and any covered family members can be required to pay up to 102% of the group premium for the coverage you select. After 18 months, this can go up to 150% of the regular

premium, but only for disabled individuals. You can pay these premiums in monthly installments. Your first payment can't legally come due any earlier than 45 days after you decide to continue coverage.

### **WHAT ARE MY RESPONSIBILITIES UNDER COBRA?**

Upon first joining a group health plan, your employer has to give you written notice of your right to continue coverage under COBRA. You have to notify your health plan administrator within 60 days if your qualifying event is a divorce, a legal separation, or a child's loss of covered status. If your COBRA coverage is triggered by your leaving your job or cutting back on working hours, and a covered family member coincidentally becomes disabled at the same time, the plan administrator needs to be told about that

person's disabled status within 60 days. (This status will affect the period of coverage and the premiums paid by that particular family member.) This individual also has to let the administrator know within 30 days if he or she is declared to be no longer disabled.

### **EDUCATIONAL ASSISTANCE BENEFITS**

If you're interested in taking educational courses, check to see if your employer offers educational assistance to employees. Your employer might pay for certain types of courses or programs you choose to attend. An employer may include student loan payments as a benefit of its educational assistance plan. Employers may provide up to \$5,250 per year. The \$5,250 limit is for all educational benefits under the plan, so the loan payments may be limited if you receive other

educational benefits, such as payments for an educational class.

### **COURSES NOT RELATED TO YOUR JOB**

Some employers offer educational assistance for courses unrelated to employees' jobs. If your employer agrees to pay for such courses, you should know that up to \$5,250 per year of this assistance is totally tax-free. Employer payments of more than \$5,250 are subject to federal income tax, Social Security tax, Medicare tax, and even federal unemployment tax. These rules also apply to graduate-level courses.

### **COURSES RELATED TO YOUR JOB**

If your employer pays for you to take courses related to your work, the amount paid usually isn't included in your taxable income.



# ADOPTION *assistance* BENEFITS



Some employers offer adoption assistance programs. If your employer is one of them, and you want to adopt a child, inform your employer. Up to \$16,810 per child in employer assistance is free from federal income tax in 2024. (Be aware that these payments are still subject to Social Security and Medicare taxes.) This money can be used for “reasonable and necessary” adoption expenses, which include adoption fees, court costs, attorney’s fees, and traveling expenses (including money spent for food and lodging), as long as these expenses are directly related to the adoption. The individual you’re adopting has to be under 18 years old or be unable to take care of themselves.

You cannot claim a tax credit for any adoption expenses that have been paid for by your employer. If your expenses go beyond the assistance your employer provides, they can be claimed as a tax credit on your income tax return. You might be able to claim a credit as high as \$16,810, and at the same time exclude up to another \$16,810 from your income. If you claim both a credit and an exclusion, they cannot both be for the same expense.

## UNEMPLOYMENT INSURANCE BENEFITS

If you lose your job, you might be entitled to unemployment insurance benefits. These are intended to provide some income while you look for other work. We’ve provided many answers to your questions about unemployment insurance here, but if you need more details call or visit [your local unemployment office](#).

### AM I ELIGIBLE FOR UNEMPLOYMENT BENEFITS?

To receive benefits, you have to meet the following requirements:

- **You have to have worked for a certain minimum amount**



**of time** and earned a certain minimum amount of wages, in the recent past.

- **You have to be involuntarily unemployed** for reasons other than misconduct at work.
- **You have to file a claim for benefits** and register for work with your state’s unemployment office.
- **You have to be physically and mentally ready** and able to work.
- **You have to be actively looking for work** and available to go to work if you’re asked to. This requirement applies unless you’re going through job training or serving on a jury.
- **If you’re unemployed as a result of a labor dispute, you can’t get benefits unless the dispute involves a lockout.**
- **You have to be honest** when you apply for benefits.

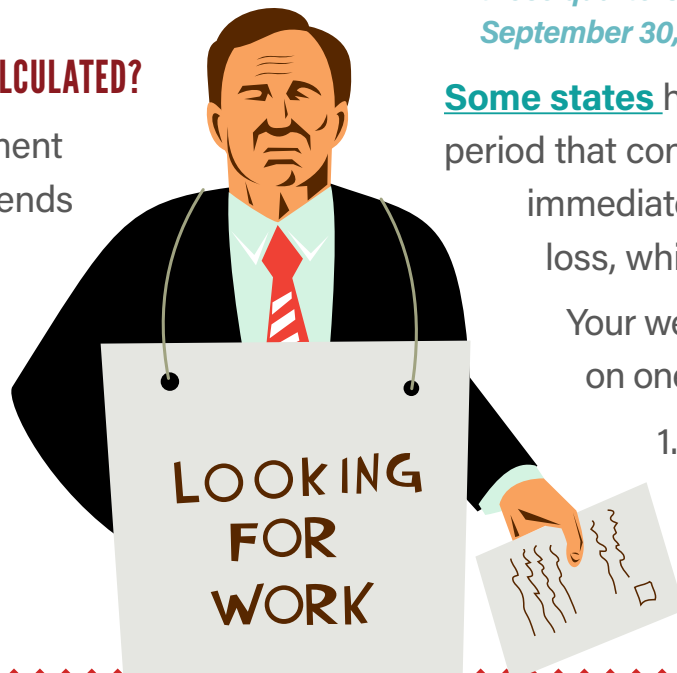
## HOW LONG CAN I COLLECT BENEFITS?

You can generally collect unemployment benefits for up to 26 weeks per “benefit year,” which begins on the day you file a claim for benefits. If you still hold a part-time job, the number of weeks you can collect benefits might be extended, though your total benefits won’t change. During periods of high unemployment, the federal government might grant an emergency extension of your benefits and provide additional benefits. Generally, once you’ve received all of your benefits for the year, you can’t file a new claim until your next benefit year arrives.

## HOW IS MY BENEFIT AMOUNT CALCULATED?

The amount of unemployment benefits you’ll receive depends on two factors:

1. **How much you earned** during your “base period.”
2. **Your state’s formula** for determining benefits.



To figure out your base period, count back over the last five complete calendar quarters that passed before you filed for benefits. (Calendar quarters are three-month units of time, split up as follows: first quarter: January-March; second quarter: April-June; third quarter: July-September; fourth quarter: October-December.) Your base period is the first four of those quarters.

*Suppose you were laid off on February 13, 2024, and filed a claim one week later. The last five complete calendar quarters that passed before you filed your claim run from October 1, 2022, to December 31, 2023. The first four of those quarters, from October 1, 2022, to September 30, 2023, is your base period.*

**Some states** have adopted a different base period that consists of the four quarters immediately preceding the employee’s job loss, which often leads to higher benefits. Your weekly benefit amount will be based on one of the following:

1. A fraction of the wages you earned during the highest-paid quarter of your base period.

## DID YOU KNOW?

Since your part-time job brings in some income, each of your weekly unemployment checks will be smaller than otherwise. As a result, it will take you longer to collect your total benefits.

2. A percentage of your average weekly wage during a certain part of your base period.

Your total unemployment benefits per year are limited to 26 times the weekly benefit amount, or to a fraction of your total base period wages.

## DO PART-TIME EMPLOYEES GET BENEFITS?

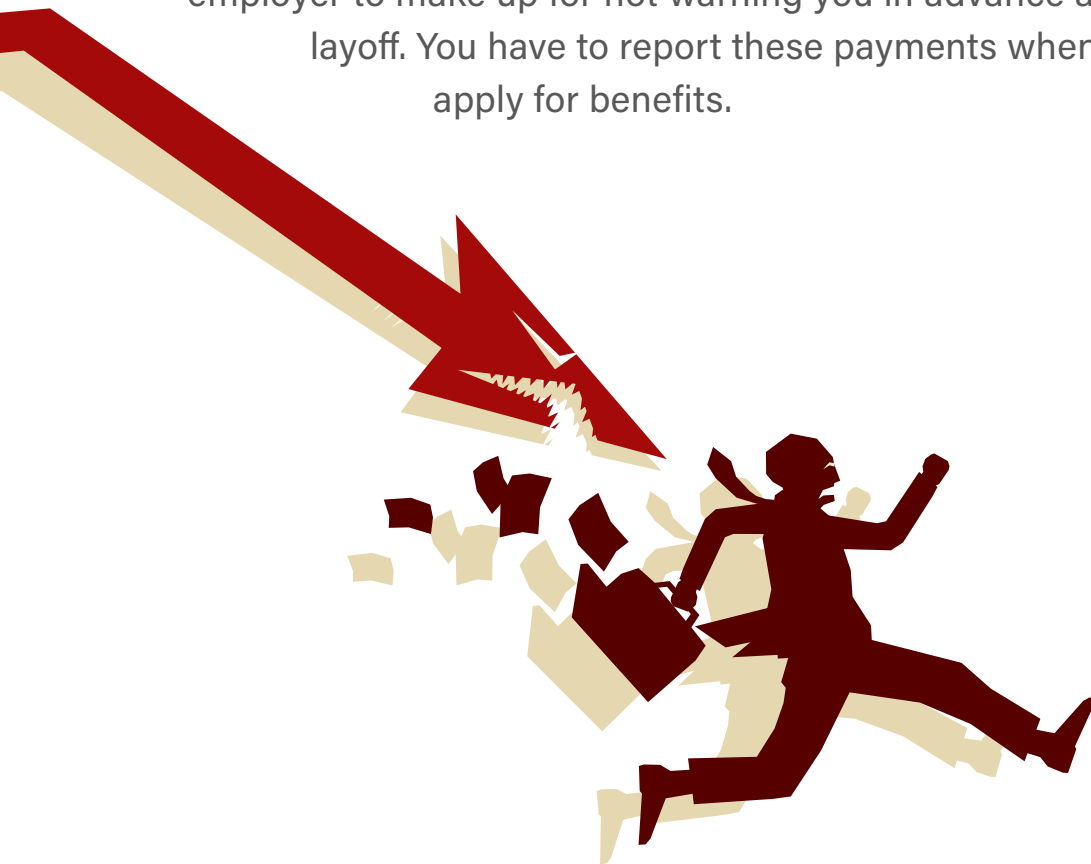
If you have been laid off from a part-time job, yes, you are entitled to benefits. You can also receive unemployment benefits if your hours at work have been reduced, as long as you’re not earning more than the weekly benefit amount. Any part-time wages you earn while receiving benefits will be subtracted from your weekly



unemployment check. Some states allow work-sharing plans. Under these plans, employers can reduce their employees' hours or days of work, instead of laying off some of their workers. These employees keep their jobs and collect unemployment benefits for the time not worked.

### OTHER PAYMENTS CAN LOWER OR DELAY YOUR BENEFITS

If your employer provides you with certain types of payments when you're laid off, your unemployment benefits could be delayed until these payments stop. These payments include holiday pay, vacation pay, dismissal or severance pay, and any money given to you by your employer to make up for not warning you in advance about your layoff. You have to report these payments when you apply for benefits.



## Go Online

Access forms and more information on what you learned in Chapter 7:

- [Form W-2](#), *Wage and Tax Statement*
- [Schedule EIC](#)
- [Notice 797](#), *Possible Federal Tax Refund Due to the Earned Income Credit*
- [Social Security Administration](#)
- [Earned Income Credit](#)
- [Form SS-5](#), *Application for a Social Security Card*
- The [Family and Medical Leave Act](#)
- Department of Labor's [Wage and Hour Division](#)
- [Form 1095-C](#), *Employer-Provided Health Insurance Offer and Coverage*
- [Form 1095-B](#), *Health Coverage*
- [Affordable Care Act](#)
- [COBRA](#), the Consolidated Omnibus Budget Reconciliation Act
- [Educational assistance](#)
- [Local unemployment office](#)
- [Estimated Social Security benefits](#)