

NAME: _____

DATE: _____

ACTIVITY

Exploring How Taxes Are Withheld

What + Why: Your tax money works hard, but where does it actually go?

When people work, some taxes are taken directly out of their paycheck, while others are paid later, depending on a person's job, income, and location.

Looking closely at how and when taxes are withheld helps explain why take-home pay can be different from gross pay and why earnings can look different from one worker to another.

Supporting Materials

- Profiles (Case Study)
- Pay Stubs (Case Study)
- Tax Rules and Reference Guide (given below)

Instructions:

1. Review your group's case study **Profile** and **Pay Stub**.
2. Fill in the following basic information:

Case Study Profile Name: _____

What would your case study profile's filing status be?

- ☐ Single (unmarried individuals)
- ☐ Married filing jointly (a married couple files one tax return together)
- ☐ Head of Household (unmarried individuals who support a dependent)

Case Study Profile's Annual Income: _____

State: _____ (select a state for your profile if one isn't given)

3. Our assigned tax type: _____

Use the **Tax Rules and Reference Guide** to identify:

a. The tax rate

b. The rules that determine when the tax applies and who is required to pay it

4. Does your profile need to pay this tax? Explain your reasoning using the case study exhibits and the **Tax Rules Reference Guide**.

Tax Rules Reference Guide

These are common taxes that reduce take-home pay. The rules below determine when the tax applies and who is required to pay it

Federal income tax

A tax collected by the federal government based on taxable income.

% Rate (progressive tax brackets)

Rates depend on your taxable income.

Tax brackets (single filers)

Taxable income	Tax rate
Up to \$11,925	10%
\$11,926 – \$48,475	12%
\$48,476 – \$103,350	22%
\$103,351 – \$197,300	24%
\$197,301 – \$256,225	32%
\$256,226 – \$640,600	35%
Over \$640,600	37%

When it applies

Withheld from paychecks throughout the year.

Who must pay

Most workers earning income above the federal filing threshold.

\$ Pay stub label

Federal income tax / Fed withholding

State income tax

A tax collected by some state governments based on income.

% Rate

Varies by state.
Ranges from 0% to 13.3%.
Some states have no income tax.

When it applies

Withheld from paychecks in states that collect income tax.

Not required in states with no income tax.

Who must pay

Workers who live in a state that collects income tax and earn income above that state's filing threshold.

\$ Pay stub label

State income tax / State withholding

Social Security Tax (FICA)

A federal payroll tax that funds retirement, disability, and survivor benefits.

% Tax rate overview

If you work for an employer

From your paycheck (you pay):

6.2%

Your employer also pays:

6.2%

Total going to Social Security:

12.4% of wages

If you are self-employed

You pay the full **12.4%** yourself.

When it applies

Withheld from paychecks.
Self-employed workers pay this amount directly.

Who must pay

Most workers earning wages or self-employment income.

\$ Pay stub label

Social Security / FICA

Medicare tax (FICA)

A federal payroll tax that funds Medicare health coverage.

% Tax rate overview

If you work for an employer

From your paycheck (you pay):

1.45%

Your employer also pays:

1.45%

Total going to Medicare:

2.9% of wages

If you are self-employed

You pay the full **2.9%** yourself.

When it applies

Withheld from paychecks.
Self-employed workers pay this amount directly.

Who must pay

Most workers earning wages or self-employment income.

\$ Pay stub label

Medicare / FICA

Note: The federal income tax brackets shown reflect 2026 rates for single filers as released by the IRS. Social Security (6.2%) and Medicare (1.45%) rates have remained stable since 1990 and 1994 respectively, but may be subject to change by Congress. Always check the IRS website (<https://www.irs.gov/>) for the most current rates before using these figures for real financial planning.