

Net Pay Calculation

Net pay is the amount that the employee receives after all payroll taxes and withholdings are deducted from the gross pay. The employer can either transfer funds electronically to the employee's checking account or simply produce a payroll check for the employee. The employer keeps track of payroll information on a form called a Multicolumn payroll Register.

Multicolumn payroll Register

Employee name	Allow. & marital status	Cum. Earn.	Sal. Per Pay Period	Earnings			Cum. Earn.	FICA Taxable Earnings		Deductions					Net pay
				Reg.	Ovt.	Gross		S.S.	Med.	FICA		FIT	SIT	Health Ins.	
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P

A = Employee's Name

B = Allowances from W-4 and Marital Status

C = Cumulative earnings before current pay check

D = Salary amount per week

E = Regular salary

F = Overtime pay

G = Gross pay for the pay period

H = Cumulative earnings after current pay check

I = Taxable earning for the pay period for FICA-Social Security

J = Taxable earning for the pay period for FICA-Medicare (Always the same as gross earnings)

K = FICA-Social Security taxes for the pay period

L = FICA-Medicare taxes for the pay period

M = Federal Income taxes

N = State Income taxes

O = Health Insurance premiums pay by the employee

P = Net pay (pay after payroll deductions)

Net pay is figured by taking the letter G and subtracting the letters K through O in order to get P.

Example

To calculate net pay and fill out a payroll register

Employee's Name: Billy Ray

Allowances and Marital Status: M-2 (Married with two allowances)

Pay Period: Bi-weekly #13

Salary: \$6,000

Cumulative Earning at beginning: \$78,000

Hours worked per week: 40 regular, 0 Overtime

State Income Tax Rate: 3%

Health Insurance Premium: \$54.46

Net Pay Calculation			
Employee's Name: Billy Ray			
Pay Period Number 13			
Gross Earnings	G		\$6,000.00
Less Deductions:			
FICA--Social Security	K	\$55.80	
FICA--Medicare	L	87.00	
FIT	M	1,136.33	
SIT	N	180.00	
Health Ins.	O	54.46	
Total Deductions			1,513.59
Net Pay			\$4,486.41

G = Stated salary.

K = $\$900 \times 6.2\% = 55.80$

L = $\$6,000 \times 1.45\% = 87.00$

M = $\$6,000.00$

- 238.46

5,761.54

- 4,540.00

1,221.54

X 28%

342.03

+ 812.30

\$1,136.33

N = $\$6,000 \times 3\% = \180

O = 54.46 Stated amount from insurance company. Employees share of premium.

Employee name	Allow. & marital status	Cum. Earn.	Sal. Per Pay Period	Earnings		Cum. Earn.	FICA Taxable Earnings		Deductions							Health Ins.	Net pay				
				Reg.	Ovt.		Gross	S.S.	Med.	FICA			FIT	SIT	Med.			L	K	N	O
										P	J	I									
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P						
Billy Ray	M-2	\$78,000	\$6,000	\$6,000	\$0	\$6,000	\$84,000	\$900	\$6,000	\$55.80	\$87.00	\$1,136.33	\$180.00	\$54.46	\$4,486.41						