

Understanding Your Pay Stub

Each time employees are paid, most employers provide a pay statement, commonly referred to as a pay stub. A pay stub is a receipt that, at a minimum, shows how many hours an employee worked in a given pay period, as well as how much the employee was paid.



A pay stub can be either a paper document or an electronic document. Although federal law does not mandate pay stubs, most states have specific requirements. While some states require that only basic information be provided, others have very detailed requirements. Because of these differences, the layout of the paystub and the information on it can vary greatly.

Below is an example of a paystub to help you identify its key elements.

Statement of Earnings and Deductions

Name	Employee ID	Company	Check Date	Check Number	Net Pay
Mary Doe	55555	ABC Company	09-30-2014	123456	\$943.45

Earnings

Description	Pay Rate	Current Hours	Current Amount	YTD Hours	YTD Amount
Overtime		0	\$00.00	4.75	\$105.97
Regular		74.25	\$1,142.71	1,596	\$24,422.76
Vacation		5.50	\$84.65	101.25	\$1,544.64
Bonus		0	\$00.00	0	\$00.00
Total		79.75	\$1,227.36	0	\$27,308.42

Federal Taxes

Description	Current	YTD
FICA SOC	\$73.91	\$1,630.08
FICA MED	\$17.28	\$381.23
FED	\$7.35	\$554.82

Deductions

Description	Current	YTD
401 (k)	\$50.00	\$250.00
HSA	\$00.00	\$60.00
FSA	\$35.37	\$921.51
Garnishment	\$100.00	\$1,900.00

State Taxes

Description	Current	YTD
FL	\$00.00	\$00.00

Local Taxes

Description	Current	YTD
N/A	\$00.00	\$00.00

Totals

Description	Current Amount	YTD Amount
Total Hours Paid	79.75	\$1,702.00
Gross Wages	\$1,227.36	\$27,308.42
Taxes	\$98.54	\$2,566.13
Deductions	\$185.37	\$3,316.88
Net Pay	\$943.45	\$21,425.41

Understanding Your Pay Stub

Compare your paystub with the glossary below to better understand the information provided.

Glossary

Employee Information

May include name, address, employee ID, department name, job title and rate of pay.

Income Tax Withholding Information

Withholdings determine the amount of taxes that are taken out of a paycheck each pay period, which is determined from employee-submitted IRS Form W-4. If too much is withheld, a refund will be likely given when taxes are completed. If too little is withheld, additional taxes will need to be paid.

Hours Worked

May include regular hours, overtime hours and shift differentials.

Earnings

May include how much is earned in a pay period and/or it how much is earned to date. May also include how many hours are worked and pay rates for standard and overtime hours.

Gross Earnings/Gross Wages

Amount earned before deductions.

Bonuses, Incentives or Commissions

Money awarded that is above and beyond standard pay.

Net Income/Net Pay

Amount of money received after all withholdings and deductions have been applied. Often referred to as "take home pay".

Leave Time

Includes vacation hours and sick time (if separate time is allotted for illness.) May be broken down into hours used and hours remaining in the calendar year.

Taxes

Includes federal, state and local taxes that are withheld from pay.

- **Federal Taxes** – Deduction is based on the number of exemptions selected on W-4 form.
- **State Taxes** – Amount deducted depends on state of residence. Some states do not deduct state income tax. If there is a deduction, it is based on exemptions selected on W-4 form.
- **Local Taxes** – Although rare, a local tax is sometimes applied to employees of certain cities, counties or school districts.

Understanding Your Pay Stub

FICA

Represents the Federal Insurance Contributions Act that states employers are required to withhold a portion of an employee's wages for the Social Security and Medicare trust funds.

- **Social Security** – Required by the federal government, every working American contributes a portion of their pay to the Social Security fund. This entitles taxpayers to receive monthly Social Security payments when they retire.
- **Medicare** – Required by the federal government, every working American contributes a portion of their paycheck toward the Medicare fund. Once a taxpayer becomes eligible for Social Security benefits, they also are entitled to Medicare coverage for medical expenses.

Before Tax Deductions

Funds deducted from pay before being taxed, which reduces taxable wages. These may include contributions toward:

- Retirement savings plans such as a 401(k)
- Medical insurance
- Dental insurance
- Life insurance
- Flexible spending account plans
- Health savings accounts

After Tax Deduction

Funds that are deducted from earnings after taxes have been deducted and other pre-tax deductions have been made. May include expenses such as:

- Union dues
- Disability insurance
- Charitable contributions.