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MONEY TALKS: Should I Be Working? Clearing Employment Hurdles

Tackling Taxes

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Starting your new job will probably be exciting and maybe a little overwhelming. It's often fun to meet new people and try out new skills, but you might feel intimidated when asked to learn your company's policies and to fill out employment forms. Before you actually begin working, your new employer will have some paperwork for you to complete. Keep reading for information that will help you understand the policies, fill out all those forms with confidence, and be prepared for filing your tax return.



ASSESSING YOUR KNOWLEDGE

For each of these statements, answer in the circle true (T), false (F), or don't know (?).

I have to file my taxes electronically.

I have to bring two forms of picture ID on my first day of work.

TRUE

My employer must send me a Form W-2 by March 1 every year.

If I get paid \$8.25 an hour and work 10 hours, my take-home pay will be \$82.50.

Employers can't fire me if I refuse to take a drug test.

FALSE

Since I don't make enough money to file a tax return, there is no reason why I should file one.

Tips are a gift and I don't have to report them as income on my tax return.

?

The IRS doesn't know how much money I get paid from my job.

I have to go to the bank to set up direct deposit.

Did you think some of the statements are true? Read on in this teen guide to find out why all these statements are false. Did you know they were all false? Nice work. Keep reading to see if you can learn anything new.

STARTING A NEW JOB

On your first day of work, your company may ask you to read and sign specific company policies and provide emergency contact information. Most likely, you will also need to fill out the following forms:

- Form I-9
- Form W-4 (see the section "Understanding Form W-4," page 5)

Completing the Form I-9

By filling out a Form I-9, also called an Employment Verification Form, you are stating that you are legally allowed to work in the United States. Additionally, to complete this form you will have to prove your identity and your eligibility to work in the United States. The easiest way is to show your passport if you have one. If you don't have a passport, you can use your Social Security card or birth certificate and your drivers' license, state-issued ID card, or school ID. If you haven't filled out your Form I-9 and shown your documents within 3 days of starting a new job, you might be fired.



Did You Know?

When you start a new job, some employers may run a criminal and financial background check on you or require drug testing. You may also be asked to sign a company policy stating that you agree to random drug tests. The only way you'll pass these tests is to be drug-free. You don't have to agree to take a drug test, but your employer can treat you the same as if you failed the test.



Direct Deposit

Many companies deposit your pay directly into a bank account rather than giving you a paper check. If so, you will need to have a checking or savings account to get paid. There are many benefits to having direct deposit:

- Many banks offer free accounts for customers with direct deposit.
- You can't lose your paycheck (or have it stolen).
- You get and can use your money faster.
- You don't have to go to the bank.

You can sign up for direct deposit at work by filling out a direct deposit form. It may take two pay periods for your direct deposit to be activated. Your employer will need your Social Security number, your bank routing number, and your account number to set up direct deposit. Some employers may also request a voided check. On payday, you won't get a paper check, but your money will be automatically deposited into your account. You will get an earning statement (paycheck stub), and you should use this to double-check your hours, rate, and deductions.

WHERE DID MY MONEY GO? UNDERSTANDING PAYCHECK DEDUCTIONS

Tax Withholding

Your new boss tells you that you will be making \$10.00 per hour to bag groceries. You worked 20 hours during your first pay period, so you were expecting your first check to be for \$200. But you only got \$166. Did your boss cheat you? Nope.

Most employers are required to deduct money from employee paychecks to cover

- federal income tax
- Medicare
- Social Security tax

Depending on your job and benefits, your employer might also take money out for state disability insurance (SDI), union dues, health insurance, state taxes, city taxes, or retirement and other savings. When you get paid, you will also receive an earning statement that shows the number of hours you worked, your pay rate, and all the deductions that were taken out of your pay.

Different states have laws about other potential paycheck deductions for items like uniforms, tools, equipment, meals, and lodging, or if you break store merchandise or come up short on cash in your register. If any of these deductions might be a part of your job, ask about these policies on your first day of work so you know what to expect.

Gross versus Net

Gross pay is the amount of money that you earn. For example, if you worked for 12 hours and make \$10 per hour at a fast-food restaurant, your gross pay would be \$120. Your net pay is the amount you get to take home after deductions are taken out. For example, the fast food restaurant takes deductions for federal income tax, state income tax, Social Security tax, and Medicare, so your net pay might be \$105.



22222	Void <input type="checkbox"/>	a Employee's social security number	For Official Use Only OMB No. 1545-0008			
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld			
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld			
		5 Medicare wages and tips	6 Medicare tax withheld			
		7 Social security tips	8 Allocated tips			
d Control number		9	10 Dependent care benefits			
e Employee's first name and initial		Last name	Suff.	11 Nonqualified plans		
f Employee's address and ZIP code		13		12a See instructions for box 12		
		Stability employee <input type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>	12b	
		14 Other		12c		12d
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	
					20 Locality name	

Form W-2 Wage and Tax Statement 2016 Department of the Treasury—Internal Revenue Service
Copy A For Social Security Administration — Send this entire page with Form W-3 to the Social Security Administration; photocopies are **not** acceptable.
 For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 10134D



TAX TIME

Your employer will send you a Form W-2 by January 31 every year. If you worked for more than one company, you will receive a Form W-2 from each company you worked for. A Form W-2 states your gross earnings for the year, the amount of federal and state taxes your employer withheld from your pay, and your Social Security and Medicare earnings for the year. Your employer will also send this information to the federal Internal Revenue Service (IRS). If you didn't make a certain minimum amount of money, your employer isn't required to mail you a Form W-2.

Tip: Keep your last earning statement of the year, so you can accurately file your taxes. Tax laws change all the time. Check out the IRS website at www.irs.gov for any updates or to answer questions you have about filing your own taxes. Each state has its own tax laws, so be sure to check tax information for your state before you file.

Tax Tip

If you make tips, you have to report them, even if your employer doesn't include them in your W-2. Keep a record of the tips you earn so that it is easy to report them at tax time.

Should I File a Tax Return?

Most teens who work need to file tax returns. In some cases, you may not make enough money to have to file a tax return. If you earned money, you might want to file taxes. You may get money back if state or federal income tax was withheld from your pay, even if someone else can claim you on their income tax return.

How Do I File a Tax Return?

There are two steps in filing a tax return. First, you need to “prepare” your tax return, which means filling out the required form(s) to calculate how much you owe—or how much the government owes you as a tax refund. The second step is actually “filing” the completed form, which means sending it to the government for processing.

You can choose from three ways to prepare your tax return (see <http://www.irs.gov/uac/Free-File-Do-Your-Federal-Taxes-for-Free>):

1. Online, using Free File, a free software program on the IRS website.
2. By hand, using a pen or pencil to complete a paper form.
3. Online, using Fillable Forms, which are electronic versions of the IRS paper forms.

Which Form Do I Use?

If you use the IRS Free File program, the software will decide which is the simplest tax form for you to use and calculate the numbers for you. If you prepare your taxes by hand, you'll probably use Form 1040EZ, which is the easiest. If you are self-employed or make money by doing jobs like babysitting or mowing lawns, you will also have to fill out Schedule CEZ or Schedule C. All federal tax forms can be found at www.irs.gov.



Tax Tip
 If you earn more than \$10 per year in interest on a savings account, you will receive a FORM 1099-INT for each of your accounts or investments. This interest is taxable and will also be reported to the IRS.

Filing My Taxes

Federal income tax

If you use Free File, you can submit your tax return online by using the secure IRS e-file at www.irs.gov. It's easy, and if you are entitled to a refund you'll probably get it within 21 days. Taxpayers who use the electronic IRS Fillable Forms can also use e-file to submit their returns. If you are filing by mail, go to www.irs.gov to find the correct address to send your tax return to.

State income tax

If you live in a state that has a personal income tax, you may be able to prepare and file your state income tax at the same time as your federal income tax using the IRS Free File and e-file.

Did You Know?
 In 2015, more than 128 million taxpayers (91%) used IRS e-file to submit their individual tax returns.

UNDERSTANDING FORM W-4

A Form W-4 tells your employer what percentage of your paycheck to send to the IRS for your taxes, also called your withholdings. These withholdings are applied to the employment taxes that you owe each year. By taking money (withholdings) from each paycheck, you will pay your taxes in little payments over the year. At the end of the year, if your withholdings were less than the amount of taxes that you owe, then you will need to pay the rest of your taxes. If

Separate here and give Form W-4 to your employer. Keep the top part for your records.

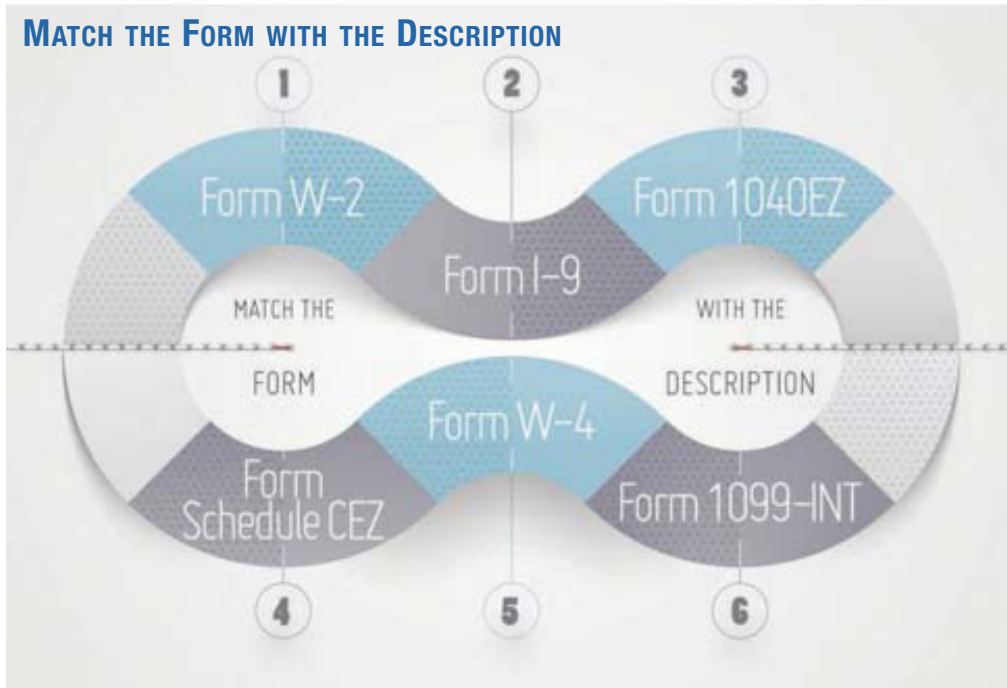
Form W-4 Department of the Treasury Internal Revenue Service	Employee's Withholding Allowance Certificate ▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.	OMB No. 1545-0074 2016
1 Your first name and middle initial _____ Last name _____		2 Your social security number _____
Home address (number and street or rural route) _____		3 <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. Note: If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.
City or town, state, and ZIP code _____		4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. <input type="checkbox"/>
5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2)		5 _____
6 Additional amount, if any, you want withheld from each paycheck		6 \$ _____
7 I claim exemption from withholding for 2016, and I certify that I meet both of the following conditions for exemption. <ul style="list-style-type: none"> • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability, and • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability. If you meet both conditions, write "Exempt" here		7 _____
Under penalties of perjury, I declare that I have examined this certificate and, to the best of my knowledge and belief, it is true, correct, and complete.		
Employee's signature (This form is not valid unless you sign it.) ▶		Date ▶
8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.)		9 Office code (optional) 10 Employer identification number (EIN)
For Privacy Act and Paperwork Reduction Act Notice, see page 2.		Cat. No. 10220Q Form W-4 (2016)



your withholdings were greater than the amount of taxes that you owe, then you will get money back when you file a tax return. To tell your employer how much money to send to the IRS each month, you will need to fill out the Form W-4.

To complete the form, fill in your name, address, Social Security number, and whether you are married or single. Your employer will determine how much money to send to IRS based on the number of dependents you claim, also called withholding allowances. The more withholding allowances you have, the less money your employer will send to the IRS. Most teenagers will have one withholding allowance, themselves. Teenagers who are married or have children may claim one withholding allowance each for themselves, their spouse, and each child. If you want to make one large payment to the IRS after your file your taxes, you can write in more withholding allowances and less money will be taken out of your pay. If you want more money taken out of your pay so that you are sure not to owe money when you do your taxes, you can write in 0 withholding allowances.

MATCH THE FORM WITH THE DESCRIPTION



- Use this form when you do taxes to show how much interest you made.
- Use this form when you do taxes to show how much money you made and your withholdings.
- Fill out this form when you start a job to prove that you are legally allowed to work in the United States.
- Fill out this form when you start a job so your employer knows how much money to send to the IRS from your pay.
- This is the easiest tax return form to use.
- People who are self-employed or have odd jobs use this tax return form.

See the end of this publication for the answer key. How many pairs did you match up?

5-6 Great work! Looks like you are ready for your first day.

3-4 You might want to re-read about the few you missed to be sure you know what forms you might need to fill out.

1-2 It seems like you could use some more review before you start your first day or file a tax return. Try the quiz again after you have read this guide over once or twice more.

Now that you're equipped with some important need-to-know facts about tax returns and employment paperwork and policies, you should feel more prepared to tackle those forms!

YOUR REFUND

What will you do with your tax refund? Maybe you would like to buy a new smart phone or get concert tickets. Whatever you want to do with the money, you might consider spending half and saving half. Your tax refund is an easy way to jump-start or increase your savings. Whatever you do with your tax refund, don't get yourself in debt. If your tax refund won't pay for the entire price of what you want to buy, like new a new cell phone, save the money until you have enough.

Answer key for "Match the Form with the Description": 6-1-2-5-3-4.

Money Talks...Should I Be Working? Is a series of teen guides and leader's guides to assist teens in 1) identifying careers that may work with their job personality; 2) understanding the process of finding and keeping a job; and 3) recognizing the benefits and pitfalls of being an entrepreneur. Comments regarding these teen guides can be addressed to Youth, Families, and Communities Statewide Program, University of California, Agriculture and Natural Resources, 2801 Second Street, Davis, CA 95618-7774.

Tax Tip

You may be able to get free help with completing your tax return from the Volunteer Income Tax Assistance (VITA) Program. To find out if you are eligible or for more information about the program, call 1-800-906-9887 or check out the IRS website at www.irs.gov.



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