

## 7 Insurance & Taxes

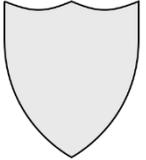
### What is Insurance?



What two things are most likely taken out of your paycheck?

- 1.
- 2.

How can insurance protect you? \_\_\_\_\_



### Types of Insurance

Match the types of insurances with their definitions:

- |                         |                                                                    |
|-------------------------|--------------------------------------------------------------------|
| _____ Auto Insurance    | A. covers lost income if injury prevents you from working          |
| _____ Renters Insurance | B. If you pass away your beneficiary will financially protect      |
| _____ Health Insurance  | C. Covers home and items inside                                    |
| _____ Homeowners Ins.   | D. Protects you and other drivers in case of a car accident        |
| _____ Disability Ins.   | E. Only covers items in home                                       |
| _____ Life Insurance    | F. Cost of medical expenses such as doctor visit and hospital stay |

**Insurance Policy Terms** – define the following terms:

<b>Parts of a Policy</b>	
<b>Coverage</b>	
<b>Premium</b>	
<b>Claim</b>	
<b>Deductible</b>	
<b>Co-Pay</b>	

## Insurance Policy Terms Practice

Take a look at these different insurance scenarios and click on the term that best describes what type of payment it represents: co-pay, premium, or deductible.

A: Co-pay

B: Premium

C: Deductible

\_\_\_\_\_ Joe went to the doctor yesterday and had to pay \$20 for his visit. Joe's \$20 office visit payment is called a:

\_\_\_\_\_ Joe pays \$100 a month to belong to his employer's health insurance plan. Joe's \$100 monthly payment is called a:

\_\_\_\_\_ Maggie must pay for \$1,500 worth of medical expenses out-of-pocket before her health insurance policy covers her costs. Maggie's \$1,500 out-of-pocket expenses are called a:

\_\_\_\_\_ Maggie pays \$50 a month for her health insurance policy. Maggie's \$50 monthly payment is called a:

## How Insurance Works

What do insurance companies look at to decide your premium cost?

- 1.
- 2.
- 3.
- 4.



## Calculating Out-of-Pocket Costs

Take a look at some common auto insurance claims and choose the policy that will minimize the amount you pay out of pocket! In this activity, just look at your out-of-pocket costs immediately after the claim. You do not have to take your premium payments into account. Choose which policy costs the least out-of-pocket for each scenario.

A: No insurance No premium. Costs \$0 / month	B: Low Deductible Plan Premium = \$300 / month Deductible = \$500	C: High Deductible Plan Premium = \$100 / month Deductible = \$1500
	<b>Scenario 1: You got in a car accident that was your fault.</b> Damages = \$2,000	
	<b>Scenario 2: You get in a car accident that was someone else's fault.</b> Damages = \$2,000	
	<b>Scenario 3: You take your car in for regular maintenance.</b> Repairs = \$200	

## Paying Taxes

What are some of the things the government use our taxes to pay for?

Define the following taxes:

❖ Federal Income Tax \_\_\_\_\_

❖ State Income Tax \_\_\_\_\_

❖ Sales Tax \_\_\_\_\_

❖ Property Tax \_\_\_\_\_

❖ Capital Gains Tax \_\_\_\_\_

### Paystub Practice

Ready to put your knowledge of payroll deductions and paystubs to the test? Answer the following questions by clicking the correct part of Maria's latest paystub.

Social Security Number: 999-89-0125  
Taxable Marital Status: Single  
Exemptions / Allowances:  
Federal: 1  
State: 1  
Local: 1

**Maria Collins, 736 Habor St,  
New York City, NY 10151**

Period Beg.	Period End	Check Date
12/15/2013	12/31/2013	01/07/2014

Earnings	Rate	Hours	This Period	YTD
Regular	20.00	80.00	1,600.00	41,600.00
Overtime	30.00	1.00	30.00	180.00
Holiday	20.00	8.00	160.00	480.00
<b>Gross Pay</b>			<b>\$1,790.00</b>	<b>42,260.00</b>

Deductions	Statutory	This Period	YTD
Federal Income Tax		- 25.00	650.00
Social Security Tax		- 13.38	347.88
Medicare Tax		- 6.98	181.48
NY State Income Tax		- 17.37	451.62
NY SUI/SDI Tax		- 0.60	15.60

Other	This Period	YTD
Union Dues	- 8.25	214.50
401(K)	- 28.85*	750.10
Life Insurance	- 5.00	130.00
Health Insurance	- 30.00	780.00

Adjustment	This Period	YTD
Life Insurance	+ 13.50	

<b>Net Pay</b>	<b>\$1,668.07</b>
<b>YTD Net Pay</b>	<b>\$58,758.82</b>

1. What is Maria's hourly wage?
2. When will Maria receive her pay?

3. How much did Maria earn before taxes?
4. How much state income tax has Maria had taken out of her paycheck this year?
5. How much take-home pay did Maria receive this pay period?
6. How much did Maria earn this year before taxes?
7. How much has Maria paid towards health care this pay period?
8. How much take-home pay has Maria received this year?
9. How much has Maria paid into her retirement account this pay period?
10. How much has Maria paid into her retirement account this year?

### Tax Forms

Identify these three forms and how they are important, who completes, and how often need to complete:

#### Important:

#### Who completes:

#### How often is it completed and by who?

Separate here and give Form W-4 to your employer. Keep the worksheet(s) for your records.

<b>Form W-4</b> Department of the Treasury Internal Revenue Service	<b>Employee's Withholding Allowance Certificate</b> <small>► Whether you're 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.</small>	OMB No. 1545-0074 <span style="font-size: 24pt; font-weight: bold;">2018</span>
<b>1</b> Your first name and middle initial _____ <b>Last name</b> _____		<b>2</b> Your social security number _____
Home address (number and street or rural route) _____		<b>3</b> <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Married, but withhold at higher Single rate. <small>Note: If married filing separately, check "Married, but withhold at higher Single rate."</small>
City or town, state, and ZIP code _____		<b>4</b> If your last name differs from that shown on your social security card, check here. You must call 800-772-1213 for a replacement card. <input type="checkbox"/>
<b>5</b> Total number of allowances you're claiming (from the applicable worksheet on the following pages) . . . . .		<b>5</b> _____
<b>6</b> Additional amount, if any, you want withheld from each paycheck . . . . .		<b>6</b> \$ _____
<b>7</b> I claim exemption from withholding for 2018, and I certify that I meet <b>both</b> of the following conditions for exemption.		
• Last year I had a right to a refund of <b>all</b> federal income tax withheld because I had <b>no</b> tax liability, <b>and</b> • This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability. If you meet <b>both</b> conditions, write "Exempt" here . . . . .		
<b>7</b> _____		
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.		
<b>Employee's signature</b> <small>(This form is not valid unless you sign it.) ►</small>		<b>Date</b> ► _____
<b>8</b> Employer's name and address (Employer: Complete boxes 8 and 10 if sending to IRS and complete boxes 8, 9, and 10 if sending to State Directory of New Hires.) _____		<b>9</b> First date of employment _____
		<b>10</b> Employer identification number (EIN) _____

For Privacy Act and Paperwork Reduction Act Notice, see page 4. Cat. No. 10220Q Form W-4 (2018)

22222	a Employee's social security number	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 Verification code	10 Dependent care benefits				
e Employee's first name and initial _____ Last name _____ Suff. _____		11 Nonqualified plans		12a _____			
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Misc. early 2018 pay <input type="checkbox"/>	12b _____		12c _____		
		14 Other		12d _____		12e _____	
f Employee's address and ZIP code							
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			

#### Important:

#### Who completes:

#### How often is it completed and by who?

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## How often is it completed and by who?

This is a thumbnail image of the 2017 U.S. Individual Income Tax Return Form 1040EZ. The form is titled "1040 U.S. Individual Income Tax Return 2017" and includes the Department of the Treasury-Internal Revenue Service logo. It contains various sections for personal information, filing status, exemptions, income, and payments. The form is designed for single filers with no dependents.

## Filling out the 1040EZ Form

1. What information do you need to have handy to complete your tax return?

2. What is the difference between a deduction and an exemption?

3. How do you know if you get a refund or have to pay taxes?

This is a detailed image of the 2017 U.S. Individual Income Tax Return Form 1040EZ. The form is titled "Form 1040EZ Department of the Treasury—Internal Revenue Service Income Tax Return for Single and Joint Filers With No Dependents (99) 2017". It includes the following sections:

- Personal Information:** Your first name and initial, Last name, Your social security number, Spouse's social security number, Home address (number and street), Apt. no., City, town or post office, state, and ZIP code, Foreign country name, Foreign province/state/country, Foreign postal code.
- Filing Status:** 1 Single, 2 Married filing jointly (even if only one had income), 3 Married filing separately, Enter spouse's SSN above, 4 Head of household (with qualifying person). If the qualifying person is a child and not your dependent, enter this child's name here.
- Exemptions:** a Youself, b Spouse, c Dependents (For each, list name, Last name, Social security number, b Dependents' relationship to you, c Qualifying address(es)).
- Income:** 7 Wages, salaries, tips, etc. Attach Form(s) W-2, 8a Taxable interest, 8b Tax-exempt interest, 9 Ordinary dividends, 10 Taxable refunds, credits, or offsets of state and local income taxes, 11 Alimony received, 12 Business income or loss, 13 Capital gain or loss, 14 Other gains or losses, 15a IRA distributions, 15b Taxable amount, 16a Pensions and annuities, 16b Taxable amount, 17 Rental real estate, royalties, partnerships, S corporations, trusts, etc., 18 Farm income or loss, 19 Unemployment compensation, 20a Social security benefits, 20b Taxable amount, 21 Other income, 22 Combine the amounts in the far right column for lines 7 through 21. This is your total income.
- Payments, Credits, and Tax:** 7 Federal income tax withheld from Form(s) W-2 and 1099, 8a Earned income credit (EIC), 8b Nontaxable combat pay election, 9 Add lines 7 and 8a, 10 Tax, 11 Health care: individual responsibility, 12 Add lines 10 and 11.
- Refund:** 13a If line 9 is larger than line 12, subtract line 12 from line 9. This is your refund. If Form 8888 is attached, check here. b Routing number, c Type: Checking, Savings, d Account number.
- Amount You Owe:** 14 If line 12 is larger than line 9, subtract line 9 from line 12. This is the amount you owe.
- Third Party Designee:** Do you want to allow another person to discuss this return with the IRS? Yes, Complete below. No.
- Sign Here:** Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.