

## 7 Insurance & Taxes

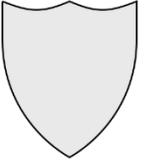
### What is Insurance?



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:					Maria Collins, 736 Habor St, New York City, NY 10151				
Federal: 1 State: 1 Local: 1					Period Beg.	Period End	Check Date		
					12/15/2013	12/31/2013	01/07/2014		
Earnings	Rate	Hours	This Period	YTD	Other	This Period	YTD		
Regular	20.00	80.00	1,600.00	41,600.00	Union Dues	- 8.25	214.50		
Overtime	30.00	1.00	30.00	180.00	401(K)	- 28.85*	750.10		
Holiday	20.00	8.00	160.00	480.00	Life Insurance	- 5.00	130.00		
<b>Gross Pay</b>			<b>\$1,790.00</b>	<b>42,260.00</b>	Health Insurance	- 30.00	780.00		
Deductions	Statutory				Adjustment				
	Federal Income Tax	- 25.00	650.00		Life Insurance	+ 13.50			
	Social Security Tax	- 13.38	347.88		<b>Net Pay</b>	<b>\$1,668.07</b>			
	Medicare Tax	- 6.98	181.48		<b>YTD Net Pay</b>	<b>\$58,758.82</b>			
	NY State Income Tax	- 17.37	451.62						
	NY SUI/SDI Tax	- 0.60	15.60						

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.		
<ul style="list-style-type: none"> <li>• 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></li> <li>• This year I expect a refund of <b>all</b> federal income tax withheld because I expect to have <b>no</b> tax liability.</li> </ul> If you meet both 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	<b>a</b> Employee's social security number _____ <small>OMB No. 1545-0008</small>	
<b>b</b> Employer identification number (EIN) _____		<b>1</b> Wages, tips, other compensation _____
<b>c</b> Employer's name, address, and ZIP code _____		<b>2</b> Federal income tax withheld _____
		<b>3</b> Social security wages _____
		<b>4</b> Social security tax withheld _____
		<b>5</b> Medicare wages and tips _____
		<b>6</b> Medicare tax withheld _____
		<b>7</b> Social security tips _____
		<b>8</b> Allocated tips _____
<b>d</b> Control number _____		<b>9</b> Verification code _____
<b>e</b> Employee's first name and initial _____ Last name _____ Suff. _____		<b>10</b> Dependent care benefits _____
		<b>11</b> Nonqualified plans _____
		<b>12a</b> _____
		<b>12b</b> _____
		<b>12c</b> _____
		<b>12d</b> _____
<b>f</b> Employee's address and ZIP code _____		
<b>15</b> State _____	<b>16</b> State wages, tips, etc. _____	<b>17</b> State income tax _____
Employer's state ID number _____	<b>18</b> Local wages, tips, etc. _____	<b>19</b> Local income tax _____
		<b>20</b> Locality name _____

Form **W-2** Wage and Tax Statement 2018 Department of the Treasury—Internal Revenue Service

### Important:

### Who completes:

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

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This is a thumbnail image of the 2017 Form 1040EZ, U.S. Individual Income Tax Return for Single and Joint Filers With No Dependents. The form includes sections for personal information, filing status, exemptions, income, payments and credits, and refund. It is a simplified version of the standard 1040 form.

## 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 Form 1040EZ, U.S. Individual Income Tax Return for Single and Joint Filers With No Dependents. The form is filled out with sample data. Key sections include:

- Personal Information:** Filing status is 'Single'. Home address is '123 Main St, Apt. 101, City, State, ZIP 12345'. Foreign country is 'USA'.
- Income:** Line 1 (Wages, salaries, tips) is \$10,000. Line 2 (Taxable interest) is \$500. Line 3 (Unemployment compensation) is \$1,000. Line 4 (Adjusted gross income) is \$11,500. Line 5 (Taxable income) is \$11,500.
- Payments, Credits, and Tax:** Line 7 (Federal income tax withheld) is \$1,000. Line 8a (Earned income credit) is \$0. Line 9 (Total payments and credits) is \$1,000. Line 10 (Tax) is \$1,500. Line 11 (Health care: individual responsibility) is \$0. Line 12 (Total tax) is \$1,500.
- Refund:** Line 13a (Refund) is \$0. Line 13b (Routing number) is 123456789. Line 13c (Type) is 'Checking'. Line 13d (Account number) is 12345678901234567890.
- Amount You Owe:** Line 14 (Amount you owe) is \$1,500.
- Third Party Designee:** None.
- Sign Here:** Signature of 'John Doe', Date '01/01/2017', Occupation 'Software Engineer', Daytime phone number '123-456-7890'.