HIGH SCHOOL FINANCIAL LITERACY

Taxes & Paycheck

Decoded

A Standalone Lesson Pack

Gross vs. Net Pay • Taxes • W-4 Forms

- 4 Detailed Lesson Plans
- 5 Real-World Sample Pay Stubs
- W-4 Walkthrough Guide
- Calculation Practice & Guided Notes
- Exit Tickets, Activities & Answer Keys

UM Printables

Engaging • Real-World • Standards-Aligned

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Premium Resource

This standalone lesson pack demystifies paychecks for high school students. Using realistic pay stubs, guided notes, and step-by-step walkthroughs, students will learn exactly where their money goes. Print-ready and engaging!

UNIT OVERVIEW

Lesson Pack at a Glance

Detail	Description
Unit Title	Taxes & Paycheck Decoded
Target Grade	9–12 (High School)
Duration	4–5 Class Periods (50 min each)
Prerequisites	Basic multiplication and percentage skills
Materials	Calculators, highlighters, student handouts

Standards Alignment

Standard	Description
CEE 1.2	Understand payroll deductions and net vs. gross pay
CEE 1.3	Explain the purpose of Social Security and Medicare
Jump$tart 1b	Identify factors affecting income and net pay
CCSS.MATH	Use proportional relationships to solve multistep ratio and percent problems

LESSON PLANS

LESSON 1

The Anatomy of a Paycheck

Duration:	50 minutes	**Materials:**	Guided Notes, Sample Pay Stub 1, highlighters

Objective: Students will identify the key components of a pay stub, distinguish between gross pay and net pay, and understand common pay periods.

Essential Question: Why is the money you take home different from the money you earn?

Opener (5–7 min)

Display a single large question on the board: 'If you earn $15 an hour and work 40 hours, how much is your paycheck?' Allow students to calculate ($600). Then reveal: 'Most new employees are shocked when their actual deposit is only about $470. Why?'

Main Activity (30–35 min)

1) Distribute the Guided Notes. 2) Walk through the anatomy of the pay stub: Employee Info, Pay Period Dates, Gross Pay, Deductions, Net Pay. 3) Define Gross Pay (total earnings before deductions) and Net Pay (take-home money). 4) Explain pay periods: Weekly, Biweekly, Semimonthly, Monthly. 5) Students highlight the gross and net pay on Sample Pay Stub 1 in different colors. 6) Calculate the difference: Gross - Net = Total Deductions. 7) Students complete the Lesson 1 section of their Guided Notes.

Closure (5–8 min)

Exit Ticket: Define gross pay and net pay in your own words. What is one mandatory deduction shown on the sample stub?

Assessment

Guided notes completion; highlighting accuracy; exit ticket.

Differentiation

Provide a key/answer copy of the highlighted stub for students who need visual references. Challenge advanced students to calculate the effective tax rate.

■ Teacher Tip

Emphasize that 'Gross' means before deductions (like gross weight), and 'Net' means what you actually catch/keep (like a fishing net).

LESSON 2

Decoding Payroll Deductions

Duration: 50 minutes **Materials:** Guided Notes, Sample Pay Stubs 2 & 3, calculators

Objective: Students will categorize and calculate mandatory payroll deductions (Federal, State, FICA) and voluntary deductions (Health Insurance, Retirement).

Essential Question: Where does all the money go between gross pay and net pay?

Opener (5–7 min)

Write 'FICA', 'Federal Income Tax', 'State Income Tax', and '401(k)' on the board. Ask students to guess which ones they are legally required to pay and which are choices.

Main Activity (30–35 min)

1) Define Mandatory Deductions: Federal Income Tax, State Income Tax, Social Security (6.2%), Medicare (1.45%). 2) Define Voluntary Deductions: Health insurance, life insurance, retirement contributions. 3) Calculate together: Using Sample Pay Stub 2, calculate the Social Security and Medicare taxes to verify the stub's accuracy. 4) Introduce Pre-tax vs. Post-tax deductions. 5) In pairs, students analyze Sample Pay Stub 3 to identify all mandatory vs. voluntary deductions and complete the Lesson 2 section of Guided Notes.

Closure (5–8 min)

3-2-1 Exit Ticket: Name 3 mandatory deductions, 2 voluntary deductions, and 1 question you still have.

Assessment

Calculation accuracy on stub 2; categorization on stub 3; exit ticket.

Differentiation

Allow students to use a calculator for all percentage conversions. Provide a 'cheat sheet' of the FICA rates for students who struggle with recall.

■ Teacher Tip

When explaining Social Security and Medicare, tie it back to the idea of an intergenerational safety net—they are paying for current retirees, and future workers will pay for them.

LESSON 3

Understanding the W-4 Form

Duration: 50 minutes **Materials:** Guided Notes, W-4 Walkthrough Guide, W-4 Scenario Worksheet, pens

Objective: Students will explain the purpose of the W-4 form, identify its sections, and understand how allowances/dependents affect tax withholding.

Essential Question: How does the government know how much tax to take out of your paycheck?

Opener (5–7 min)

Ask: 'Have you ever heard someone say they got a huge tax refund? Or that they owed the IRS money? How does that happen?' Explain that it all starts with a form they fill out on their first day of work.

Main Activity (30–35 min)

1) Define the W-4: Employee's Withholding Certificate. It tells the employer how much federal income tax to withhold. 2) Distribute the W-4 Walkthrough Guide. Go through Steps 1-5. 3) Scenario Practice: Students complete the W-4 Scenario Worksheet, calculating the difference in net pay for different W-4 choices. 4) Analyze Sample Pay Stub 4 to see the impact of a worker who claimed dependents. 5) Discuss the trade-off: Big refund vs. Owing money. 6) Complete Lesson 3 in Guided Notes.

Closure (5–8 min)

Explain in 2-3 sentences: What happens if you claim too many allowances on your W-4?

Assessment

Completed W-4 walkthrough guide; scenario worksheet accuracy; exit ticket.

Differentiation

Simplify the W-4 by focusing on Steps 1 and 3, which apply to most high school students. Advanced students can research the implications of Step 4(c) extra withholding.

■ Teacher Tip

Bring in a blank real W-4 form from the IRS website so students can hold the official document.

LESSON 4

Calculation Practice & Analysis

Duration:	50 minutes	**Materials:**	Guided Notes, Calculation Practice Worksheet, Sample Pay Stub 5, calculators

Objective: Students will independently calculate gross pay, deductions, and net pay, and analyze a complex pay stub with overtime and pre-tax deductions.

Essential Question: Can you decode a real-world paycheck on your own?

Opener (5–7 min)

Quick review challenge: Give students a gross pay amount of $1,000. They have 3 minutes to calculate Social Security (6.2%) and Medicare (1.45%). First three done get a small prize.

Main Activity (30–35 min)

1) Distribute the Calculation Practice Worksheet. Students work independently to calculate gross pay (regular + overtime), all mandatory deductions, and net pay for two scenarios. 2) Distribute Sample Pay Stub 5 (the most complex stub, including a 401k pre-tax deduction). 3) Students complete the Pay Stub Analysis Activity for Stub 5. 4) Review worksheet answers as a class. 5) Final discussion: What is the biggest surprise you've learned about paychecks over the last 4 lessons? 6) Complete Lesson 4 in Guided Notes.

ANSWER KEYS

TEACHER USE ONLY

This answer key is for teacher reference only. Do not distribute to students.

Guided Notes Answers

#	Answer
1	Gross
2	Net
3	Total Deductions
4	Weekly, Biweekly, Semimonthly, Monthly
5	Social Security, Medicare
6	Mandatory
7	Voluntary
8	Pre
9	Federal
10	Less, Bigger
11	2
12	1.5
13	Net Pay = Gross Pay - Total Deductions
Math	SS = $49.60, Medicare = $11.60

Vocabulary Activity Answers

#	Answer
1	C
2	E
3	F
4	H
5	D
6	G
7	B
8	A
9	W-4 form

#	Answer
10	Net Pay
11	FICA
12	W-2 form

Pay Stub Analysis Answers

Q#	Suggested Answer
1	Marcus Net: $818.48, Alex Net: $387.50. Marcus earns $430.98 more because he worked more hours, has a higher wage, and worked overtime.
2	Tanya's federal tax rate is effectively lower (8% vs 12%). Because she claimed dependents, less money is withheld for federal taxes, giving her more money now.
3	David puts $270.83 into his 401k monthly. Over 12 months, he would save $3,250.00.
4	He saves 12% + 5% = 17% on his 401k amount. $270.83 × 0.17 = $46.04 saved in taxes per month.

W-4 Scenario Worksheet Answers

Q#	Suggested Answer
B	Federal Tax Withheld = $200.00 ($240 - $40)
C	Federal Tax Withheld = $120.00 ($240 - $120). Difference vs A = +$120.00 in net pay.
5	If you claim too many dependents, not enough tax is withheld during the year. When you file your tax return, you may owe the IRS a large sum of money (and possibly penalties).
6	People might choose extra withholding to guarantee a large tax refund in the spring, using it as a forced savings account.

Calculation Practice Worksheet Answers

Q#	Answer
1	$15.25 × 30 = $457.50
2	SS: $457.50 × 0.062 = $28.37 | Medicare: $457.50 × 0.0145 = $6.63
3	$457.50 – ($28.37 + $6.63 + $23.00 + $12.00) = $387.50
4	Regular: $22 × 40 = $880 | OT Rate: $33 | OT: $33 × 8 = $264 | Total Gross: $1,144
5	SS: $1,144 × 0.062 = $70.93 | Medicare: $1,144 × 0.0145 = $16.59
6	$1,144 – ($70.93 + $16.59 + $115 + $48 + $75) = $818.48
7	$4,000 × 0.05 = $200.00
8	Taxable Wages = $4,000 – $200 = $3,800
9	SS: $3,800 × 0.062 = $235.60 | Medicare: $3,800 × 0.0145 = $55.10

Exit Ticket Sample Answers

Lesson	Suggested Answers
1	Gross pay is total money earned; net pay is take-home pay after deductions. Mandatory deduction: Federal tax, State tax, Social Security, or Medicare.
2	Federal Insurance Contributions Act. It includes Social Security and Medicare taxes. Medicare on $1000 = $14.50.

Lesson	Suggested Answers
3	The W-4 tells your employer how much federal tax to withhold. Claiming more dependents makes your paycheck BIGGER because less tax is withheld.
4	Pre-tax deductions lower your taxable income, meaning you pay less in taxes now while saving for retirement. Check for: correct hours, proper deduction amounts, YTD totals.

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