



**CENTRE COUNTY PREVENTION COALITION**  
A SAMHSA Funded Drug-Free Community Coalition  
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**April 14, 2010 – Is That Paycheck All Yours? Tax Education for Teens**

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As the school year starts to wind down, many teenagers are looking for summer jobs. For those teenagers just joining the working world, the math seems simple. If they take a job that pays \$7.00 per hour and work 20 hours the first week, they expect to get a check for \$140. Unless they are taught what taxes are, that taxes will be withheld, and where “their money” goes, a smaller check may lead to a confused or upset teenager. The taxes and percentages can be overwhelming but understanding them is helpful.

The following are taxes every employer is required to withhold:

- 6.2% Social Security Tax
- 1.45% Medicare
- .8% Federal Unemployment Tax
- 3.07% Pennsylvania Tax
- 1.0% to 2.35% Local Taxes

The employer will also withhold federal taxes based on how your son or daughter completes the form W-9 when he or she starts working.

For those who worked last summer or have continued to work during the school year, April 15<sup>th</sup> is a date they will need to become very familiar with. As part of the taxpaying workforce, some teenagers will be required to file income tax returns. As parents, it will likely be up to you to know when your child is required to file a tax return.

A 2009 individual tax return is required for a dependent qualifying child when he or she has unearned income greater than \$950, earned income greater than \$5,700, or gross income greater than the larger of \$950 or earned income up to \$5,400 plus \$300. Unearned income includes taxable interest, dividends, capital gain distributions, taxable social security, and annuities. Earned income includes wages, tips, and taxable scholarships or fellowships. Gross income is simply the total of earned and unearned income.

Your child should review his or her W-2 to determine how much income was earned in 2009. If Box 1 on the W-2 shows income of \$5,700 or greater, your child must file a return. If federal taxes were withheld and appear in Box 2, your teenager may want to file a tax return even if he or she did not reach the \$5,700 limit requiring a return to be filed. Keep in mind, too, that income may not always show up on a W-2. Earnings from other services like babysitting or lawn mowing must be considered earned income even when no W-2 is received.

Importantly, the Commonwealth of Pennsylvania and the local municipalities require people of any age with earned income to file a return if as little as \$1 is owed. If special circumstances exist, consult a tax advisor.

By sharing these explanations about taxes with your teen, he will have a better understanding of what taxes are and how federal income taxes influence his world. While taxes may seem like a burden, they are necessary to run our country. Understanding how the tax process works and paying in to a system that benefits all of us will help your teen learn important lessons about citizenship.

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