

## **Payroll Definitions**

### **Form W-4: Employee's Withholding Allowance Certificate—Federal**

All new employees must fill out a W-4 form. This form is used to determine how much income tax to withhold from an employee's wages. The amount of federal withholding taxes is based on marital status, the number of withholding allowances claimed, and total earnings. Employees can also specify an additional dollar amount to be withheld from each paycheck.

<http://www.irs.gov/pub/irs-pdf/fw4.pdf>

### **Form VA-4: Employee's Virginia Income Tax Withholding Certificate—State**

All new employees must fill out Form VA-4. This is used to determine how much state tax to withhold from an employee's wages. As with the federal form, the marital status, number of withholding allowances, and total earnings are used in determining how much tax an individual must pay. <http://www.scps.virginia.edu/uploads/vataxform.pdf>

### **Form I-9: Employment Eligibility Verification—U.S. Department of Homeland Security**

All new employees must fill out a Form I-9 and show proof of U.S. citizenship. The documents that are acceptable to prove citizenship are listed on the back of the I-9 Form.

<http://www.uscis.gov/sites/default/files/files/form/i-9.pdf>

## ***Payroll Deductions***

1. Federal income tax withholding is based on the employee's salary, pay period, and exemptions claimed.
2. State income tax withholding is based on the employee salary, pay period, and exemptions claimed.
3. An employee's share of Social Security and Medicare tax is referred to as FICA taxes. FICA tax must be withheld from every employee. In addition, employers must match the amount withheld from every paycheck. FICA withholding changes periodically as a percentage of each paycheck. There is a yearly cap on wages subject to this deduction. The percentage in 2014 is 7.65 percent of gross pay. This is broken down as OASDI 6.2 percent up to \$76,200 and Medicare 1.45 percent, with no maximum.
4. Other deductions may include insurance premiums, 401(k) contributions, and items such as contributions to The United Way.

Paychecks are distributed to employees along with a pay transmittal slip that outlines the employee's gross pay, deductions, and net pay calculation. Many individuals elect to have paychecks sent to their bank or credit union via direct deposit.

### ***Gross Pay***

Gross pay refers to total wages before deductions.

### ***Net Pay***

Net pay refers to total wages after deductions.

### ***Employer's Tax Guide***

This includes tables for calculating the amount of tax to be withheld from employees based on marital status and withholding allowances.