

Name: _____

Taxes - State Income Tax 1

Just about every state requires an employer to withhold state tax from their employee's taxable earnings. Taxable earnings are an employee's gross earnings minus their personal exemption. Some states withhold a set percentage of taxable earnings while others withhold a graduated amount based on different levels of income.

Formulas for Calculating State Tax

$$\text{Annual Gross Pay} - \text{Personal Exemption} = \text{Taxable Earnings}$$

$$\text{Taxable Earnings} \times \text{Tax Rate} = \text{Tax Withheld}$$

$$\text{Annual Tax Withheld} \div \text{Number of Pay Periods} = \text{Tax Withheld per Pay Period}$$

Directions: Read each question carefully and write your answer on the line provided.

Use the following personal exemptions to answer the questions below.

Single \$1,750. Married \$3,500, Each Dependent \$900

1. Joel Bigby earns an annual salary of \$54,625.00 as a field tech supervisor. He is married and has two children. His state withholding tax rate is 3.7 percent of taxable earnings. What is the total of Joel's personal exemption? _____ What is his annual state tax withholding rounded to the nearest dollar? _____
2. Carla Gore earns an annual salary of \$36,520.00 as an x-ray technician. She is single and has a little girl. Her state withholding tax rate is 4.2 percent of taxable earnings. What is the amount of Carla's taxable earnings? _____ What is her annual state tax withholding rounded to the nearest dollar? _____
3. Sue Joines earns an annual salary of \$42,780.00 as a bank manager. She is married and has four children. Her state withholding tax rate is 4.7 percent of taxable earnings. What is the amount of Sue's personal exemption? _____ What is her annual state tax withholding rounded to the nearest dollar? _____
4. Velma Reeves earns an annual salary of \$122,680.00 as a district court judge. She is married and has three children. Her state withholding tax rate is 3.9 percent of taxable earnings. What is the amount of Velma's personal exemption? _____ What is her annual state tax withholding rounded to the nearest dollar? _____
5. Kelly Richards earns an annual salary of \$105,000.00 as a doctor. She is single, has two children, and is paid weekly. Use the personal exemptions listed above and the graduated tax rate chart below to answer the following questions.

| Annual Gross Pay | Tax Rate |
|------------------|----------|
| First \$1,000 | 2.0% |
| Next \$2,500 | 2.5% |
| Next \$2,500 | 3.5% |
| Next \$94,000 | 4.5% |
| Over \$100,000 | 6.0% |

What is the amount of Kelly's annual personal exemption? _____ What is her weekly gross salary? _____ What is her weekly state tax withholding? _____

