

# NEWS FROM

KHEAA–Alabama

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## Money Tip for Students, June 2021

### Understanding a pay stub

When a student gets their first job, one thing they need to learn early on is how to read and understand their pay stub, according to KHEAA–Alabama.

Federal and state tax codes are complicated, so learning about the deductions you see on your pay stub is vital to managing your money and budgeting. When it comes to the federal income tax withheld from your pay, you should make sure the right amount is being taken out. When you file your taxes, you don't want to discover that you owe a large amount because you didn't have enough withheld throughout the year.

Each employer's pay stub is different, but you will usually see these items:

- **Gross Pay:** This is what you earned during that pay period before any taxes or benefits, such as insurance, were withheld.
- **Net Pay:** This is your take-home pay after withholdings.
- **Federal Tax:** This might be abbreviated as Fed Tax, FT or FWT. It shows how much was withheld from your paycheck in federal income taxes.
- **State Tax:** This could be abbreviated as St Tax, STW or simply by the abbreviation of the state in which you reside.
- **Local Tax:** Some cities or counties levy a local tax. Depending on where you live or work, you may not be subject to this tax and, therefore, won't see anything withheld.
- **Social Security Tax:** This tax might be abbreviated as FICA, SS, SSWT or OASDI. The federal government requires that 6.2 percent of your wages be withheld.
- **Medicare:** This tax is typically abbreviated as MWT or Med. The federal government requires that 1.45 percent of your wages be withheld.
- **Year-to-date (for pay and deductions):** The year-to-date fields show how much you have earned up to that point and what has been deducted for each tax or benefit.

KHEAA is a public, non-profit agency established in 1966 to improve students' access to college. It provides information about financial aid and financial literacy at no cost to students and parents.

The agency also helps colleges manage their student loan default rates and verify information submitted on the FAFSA. For more information about those services, visit [www.kheaa.com](http://www.kheaa.com).

In addition, KHEAA disburses private Advantage Education Loans on behalf of its sister agency, KHESLC. For more information, visit [www.advantageeducationloan.com](http://www.advantageeducationloan.com).

For more information about financial aid and college planning, visit [www.alstudentaid.com](http://www.alstudentaid.com).