

**LESSONS 2-2, 2-3**

**State Income Tax and Graduated State Income Tax**

Most states require employers to withhold a certain amount of your pay for state income tax. In some states, the tax withheld is a percent of your taxable wages. Your taxable wages depend on personal exemptions allowed for supporting yourself and others in your family. Most states have a graduated income tax that involves a different tax rate for each of several levels of income.

$$\text{TAXABLE WAGES} = \text{ANNUAL GROSS PAY} - \text{PERSONAL EXEMPTIONS}$$

$$\text{ANNUAL TAX WITHHELD} = \text{TAX RATE} \times \text{TAXABLE WAGES}$$

$$\text{TAX WITHHELD PER PAY PERIOD} = \frac{\text{ANNUAL TAX WITHHELD}}{\text{NUMBER OF PAY PERIODS PER YEAR}}$$

*For problems 1-4, use the personal exemptions below and find the amount withheld.*

PERSONAL EXEMPTIONS: Single — \$1400; Married — \$2800;  
Each Dependent — \$1000

1. Jack Pasler earns \$20,940 annually as an accountant. He is married and supports 1 child. The state tax rate in Jack's state is 4.5% of taxable income. What amount is withheld yearly for state income tax? \_\_\_\_\_
2. Rose Klaus earns \$34,850 annually as an engineer. She is single and supports her father. The state tax rate in Rose's state is 3.0% of taxable income. What amount is withheld yearly for state income tax? \_\_\_\_\_
3. Wes Kennedy earns \$30,140 annually as a new staff attorney. He is single. The state tax rate in Wes's state is 3.5% of taxable income. What amount is withheld from Wes's monthly pay for state income tax? \_\_\_\_\_
4. Katrina Harold earns \$364.85 per week. She is married and claims 3 children as dependents. The state tax rate in Katrina's state is 2.0% of taxable income. What amount is withheld from Katrina's weekly pay for state income tax? \_\_\_\_\_
5. You are a computer operator for Data Base, Inc. The state has the following personal exemptions and graduated income tax. \_\_\_\_\_

Personal Exemptions	
Single	\$1500
Married	\$3000
Each Dependent	\$ 700

STATE INCOME TAX	
Annual Gross Pay	Tax Rate
First \$2000	1.5%
Next \$3000	2.0%
Next \$3000	2.5%
Over \$8000	3.0%

You earn \$20,160 a year. You are single and are paid on a weekly basis. What amount is withheld from your weekly paycheck for state income tax? \_\_\_\_\_