Payroll Example:

X company with one employee. The employee salary for the current pay period is $3,000 before deductions. Calculate gross earnings, and then calculate the net pay if you know that the company will deduct from the employee the following: Federal Income Tax: $300, State Income Tax: $150, Social Security Tax (6.2% of gross earnings), Medicare Tax (1.45% of gross pay), Health Insurance Premium: $100.

1- Gross earnings = $3,000.

2- Net pay:

**Deductions**:

1- federal tax = $ 300

2- state tax =$150

3- social security = 6.2% \*3,000 = $186

4- Medicare tax = 1.45% \* 3,000 = $43.5

5- Health ins. = $100

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Salary expense 3,000

Federal Tax 300

State Tax 150

Social Security 186

Medicare tax 43.5

Health insurance 100

Salary Payable 2,220.5

When the company paid for employee:

Salary payable 2220.5

Cash 2220.5

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Health insurance 100

Cash 100