

Chapter 2 – Net Income

I-Summary

In this chapter you learned about net income, which refers to the amount of money you take home, not the amount you earn. Before you receive your paycheck, money is deducted to pay for a number of purposes, including federal taxes, state taxes, Social Security, Medicare, and health insurance.

I-Quiz

1. What is your *net* income?
 - A. the amount you receive *before* money is deducted from your paycheck
 - B. the amount you receive *after* money is deducted from your paycheck
 - C. the amount of money deducted from your paycheck
2. Money is withheld from your paycheck for the *Internal Revenue Service* (IRS) to pay which kind of tax?
 - A. federal income tax
 - B. state income tax
 - C. sales tax
3. How much you pay in taxes depends on your *personal exemptions*. Personal exemptions are based on:
 - A. your savings
 - B. the number of people you support
 - C. how much money you spend on entertainment
4. *6.2 percent* of your gross income is withheld to pay Social Security tax. How much is withheld from your income for Social Security for every *\$100* you make?
 - A. sixty-two dollars
 - B. six dollars and twenty cents
 - C. sixty-two cents
5. Your Medicare taxes are used to pay for health insurance for which group of people?
 - A. the poor and disabled
 - B. people without health insurance
 - C. people 65 years and older

Answer Key

- 1. B**
- 2. A**
- 3. B**
- 4. B**
- 5. C**