

M&Y INTERNATIONAL FINANCIAL SERVICES NEWSLETTER



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TIPS FOR STUDENTS WITH SUMMER JOBS

With summer almost here, many students will turn their attention to making money from a summer job. Not all the money they earn will make it to their pocket because employers must withhold taxes from their paycheck. Here are some tax tips young individuals should know when starting a summer job.

“Employees – including those who are students – normally have taxes withheld from their paychecks by their employer. When anyone gets a new job, they need to fill out a Form W-4, Employee’s Withholding Allowance Certificate. Employers use this form to calculate how much federal income tax to withhold from the new employee’s pay.”

New employees: Employees – including those who are students – normally have taxes withheld from their paychecks by their employer. When anyone gets a new job, they need to fill out a Form W-4, Employee’s Withholding Allowance Certificate. Employers use this form to calculate how much federal

income tax to withhold from the new employee’s pay. The Withholding Calculator on IRS.gov can help a taxpayer fill out this form.

Self-employment: Students who do odd jobs over the summer to make extra cash are self-employed. This includes jobs like baby-sitting or lawn care. Money earned from self-employment is taxable, and self-employed workers may be responsible for paying taxes directly to the IRS. One way they can do this is by making estimated tax payments during the year.

Tip income: Students working as waiters or camp counselors who earn tips as part of their summer income should know tip income is taxable. They should keep a daily log to accurately report tips. They must report cash tips to their employer for any month that totals \$20 or more.

Payroll taxes: This tax pays for benefits under the Social Security system. While students may earn too little from their summer job to owe income tax, employers usually must still withhold Social Security and Medicare taxes from their pay. If a student is self-employed, Social Security and Medicare taxes may still be due and are generally paid by the student.

Reserve Officers’ Training Corps (ROTC) pay: If a student is in an ROTC program, and receives pay for activities such as summer advanced camp, it is taxable. Other allowances the student may receive – like food and lodging – may not be taxable.



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