

GROSS-TO-NET PAYROLL CALCULATIONS

Your calculation worksheet

Use this sheet with the six course lessons. Work through the same teaching scenario, then compare with the worked solution on page 2. This is unscored practice.

Scenario: biweekly gross pay of \$3,200.00; a qualifying Section 125 medical deduction of \$150.00; an eligible traditional 401(k) contribution of \$120.00; and a \$40.00 post-tax deduction.

Assume all \$3,050.00 of FICA wages remain below the Social Security wage base and no Additional Medicare Tax applies. Employee rates: Social Security 6.2%; regular Medicare 1.45%. Round each tax to the nearest cent.

FIT teaching assumption: use 12% of FIT wages for this exercise only. This is not a universal withholding rate or a substitute for IRS Publication 15-T and Form W-4 information.

1. FIT wages: identify both qualifying reductions	\$ _____
2. Social Security wages: identify the qualifying reduction	\$ _____
3. Medicare wages: identify the qualifying reduction	\$ _____
4a. Federal income tax: stated classroom assumption	\$ _____
4b. Employee Social Security tax	\$ _____
4c. Regular employee Medicare tax	\$ _____
5a. Total employee taxes	\$ _____
5b. Total employee deductions, including post-tax	\$ _____
5c. Net pay: gross less all taxes and deductions	\$ _____

6. Reconcile: net pay + total employee taxes + total employee deductions = original gross pay.

Explain one decision: why does the traditional 401(k) affect FIT wages differently from FICA wages?

WORKED SOLUTION

Check every step

FIT wages: $\$3,200 - \$150 - \$120$	\$2,930.00
Social Security wages: $\$3,200 - \$150$	\$3,050.00
Medicare wages: $\$3,200 - \$150$	\$3,050.00
Classroom FIT: $\$2,930 \times 12\%$	\$351.60
Employee Social Security: $\$3,050 \times 6.2\%$	\$189.10
Regular employee Medicare: $\$3,050 \times 1.45\%$	\$44.23
Total employee taxes	\$584.93
Total employee deductions: $\$150 + \$120 + \$40$	\$310.00
Net pay: $\$3,200 - \$584.93 - \$310$	\$2,305.07

Reverse check: $\$2,305.07 + \$584.93 + \$310.00 = \$3,200.00$.

The qualifying medical deduction reduces FIT, Social Security, and Medicare wages in this scenario. The eligible traditional 401(k) contribution reduces FIT wages but does not reduce Social Security or Medicare wages. The post-tax deduction reduces take-home pay, not these wage bases.

Keep the tax view and the cash view separate. A deduction used to determine a taxable wage base must still be included once in the final gross-to-net cash calculation. Never subtract it twice from take-home pay.

A reconciliation proves the arithmetic ties back to gross pay. It does not prove the deduction classification or tax method was correct; check those decisions separately.

Sources: IRS Publications 15, 15-B, and 15-T (2026). The course uses stated assumptions to teach calculation flow. Actual payroll requires the applicable rules, wage limits, employee information, and withholding method.