

For Arch MI and Arch MI For Credit Unions

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# Income Fundamentals 201

## The Components of Paystubs and W-2s

an INCOME ANALYSIS course



# Legal Disclaimer



Arch Mortgage Insurance Company is providing this training to you for use as a training tool only. These materials are not intended, nor should they be relied upon for any other purpose, including underwriting actual mortgage loans without independent verification and testing by your in-house quality control and/or compliance personnel or actual preparation of documents, which may be presented in the materials. All materials presented are samples for illustrative purposes only.



# Objectives

## Documentation Requirements.

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## Components of Paystubs.

- Required information.
  - Pay frequencies and formulas.
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## Components of W-2s.



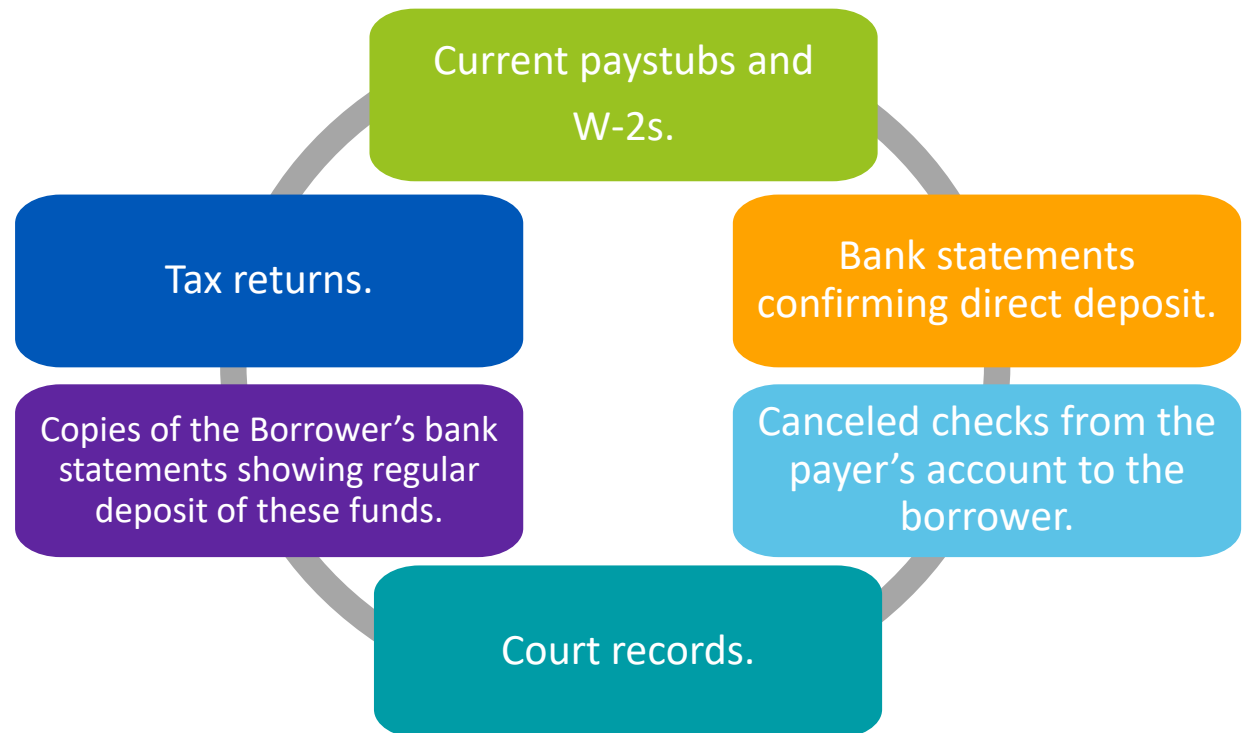
# Documentation Requirements



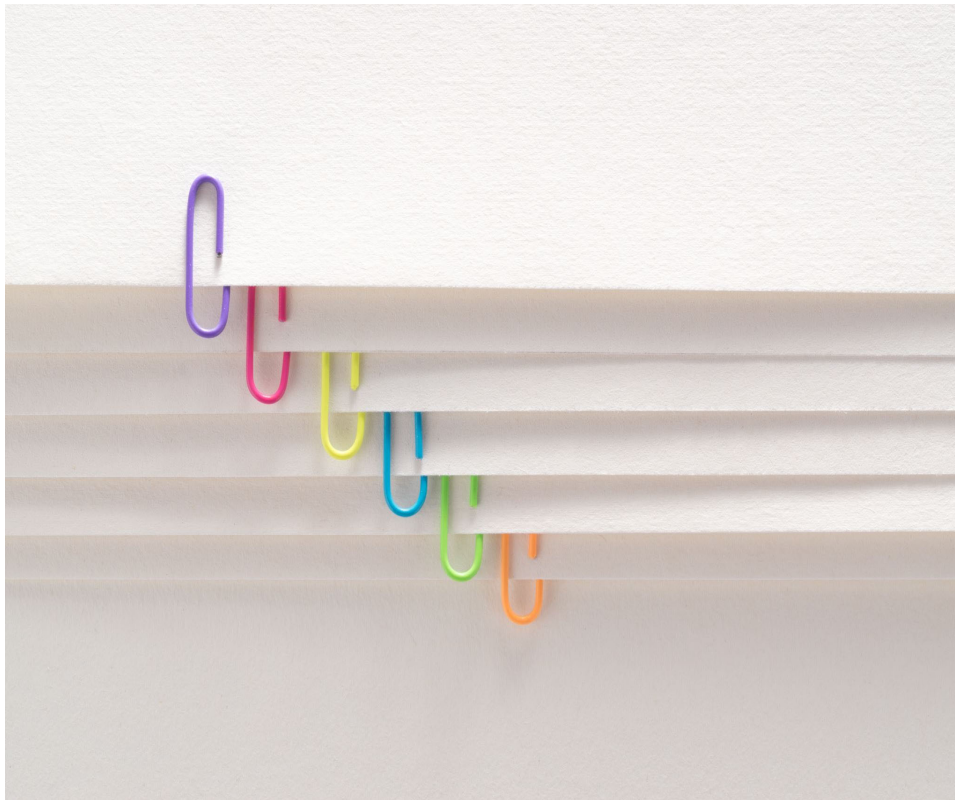
# Documentation Requirements for Current Receipt of Income

- Income documentation must support:
  - History of receipt.
  - Amount.
  - Frequency.
  - Duration.
- Documentation supporting income must *generally* be dated within four months of closing date.

Current receipt may be documented by various means, depending on the income type. Examples include, but are not limited to:



# Income Documentation



- The type of documentation required depends on the nature of the income.
- Be sure to check your AUS Findings and Feedback as well as your Investor Guidelines and Agency Guidelines.

# Employed Borrower Documentation with Automated Underwriting

- Validate base salary, per your Automated Underwriting System (AUS).

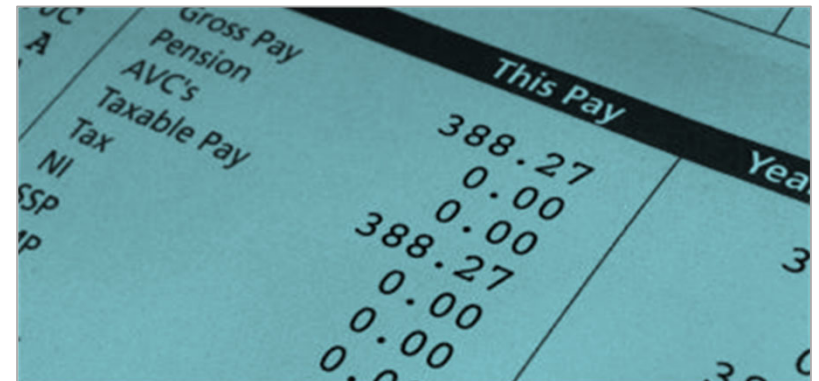


As least one paystub with 30 days of year-to-date earnings.

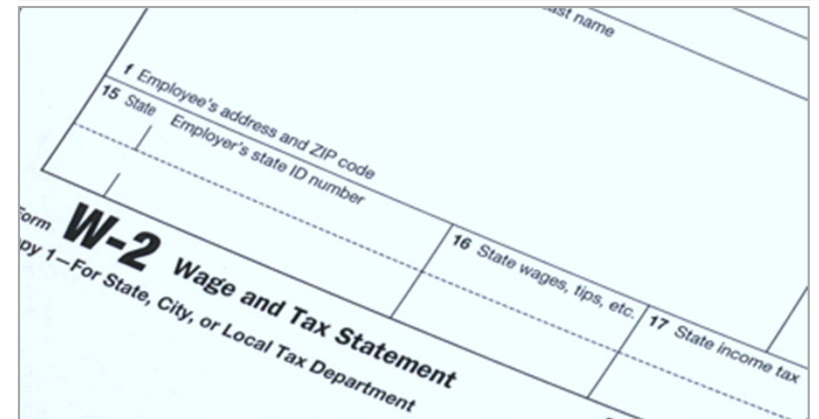
— OR —



One or two years of W-2s.



	This Pay	Year
Gross Pay	388.27	
Pension	0.00	
AVC's	0.00	
Taxable Pay	388.27	
Tax	0.00	
NI	0.00	
SSP	0.00	
MP	0.00	



Form **W-2** Wage and Tax Statement  
Copy 1—For State, City, or Local Tax Department

1 Employee's address and ZIP code  
15 State Employer's state ID number  
16 State wages, tips, etc.  
17 State income tax

# Employed Borrower Documentation Non-Conforming or Non-AUS

- Non-conforming (jumbo) loans or non-AUS loans normally require “full” income documentation.

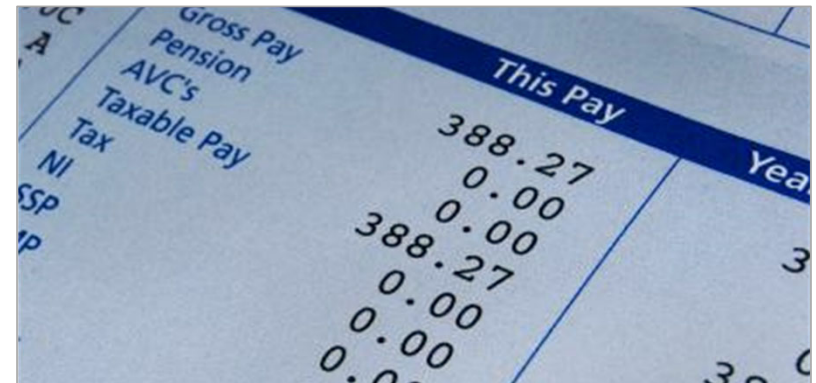


At least two consecutive paystubs.

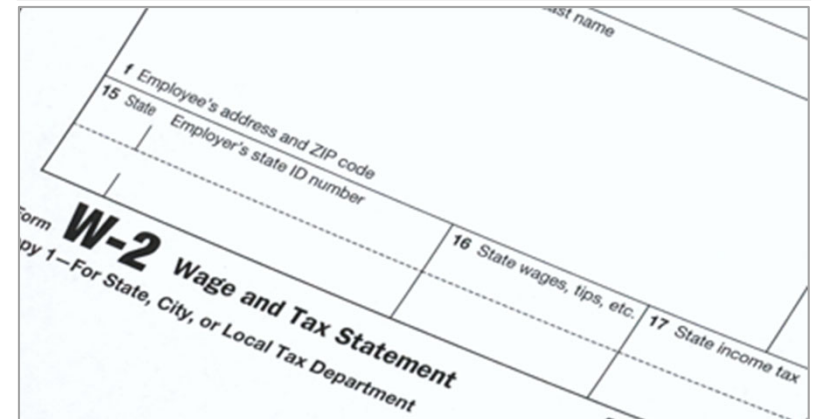
— AND —



Two years of W-2s.



	This Pay	Year
Gross Pay	388.27	
Pension	0.00	
AVC's	0.00	
Taxable Pay	388.27	
Tax	0.00	
NI	0.00	
SSP	0.00	
MP	0.00	



Form **W-2** Wage and Tax Statement  
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# Employed Borrower Documentation — Other



- Written verification of employment (WVOE) can be used to verify salaried borrower income.
- WVOE or third-party verification (e.g., The Work Number) showing a breakdown of various income sources, is required for borrowers with variable income.

**Fannie Mae**  
**Request for Verification of Employment**

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgage borrower under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgage borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1462a (if HUD/CFD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

Instructions: Lender - Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.  
 Employer - Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.  
 The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

**Part I — Request**

1. To (Name and address of employer) \_\_\_\_\_ 2. From (Name and address of lender) \_\_\_\_\_

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender \_\_\_\_\_ 4. Title \_\_\_\_\_ 5. Date \_\_\_\_\_ 6. Lender's Number (Optional) \_\_\_\_\_

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number) \_\_\_\_\_ 8. Signature of Applicant \_\_\_\_\_

**Part II — Verification of Present Employment**

9. Applicant's Date of Employment \_\_\_\_\_ 10. Present Position \_\_\_\_\_ 11. Probability of Continued Employment \_\_\_\_\_

12A. Current Gross Base Pay (Enter Amount and Check Period):  
 Annual  Hourly  
 Monthly  Other (Specify) \_\_\_\_\_  
 \$ \_\_\_\_\_  
 Weekly

12B. Gross Earnings

Type	Year To Date	Past Year	Past Year
Base Pay	\$ _____	\$ _____	\$ _____
Overtime	\$ _____	\$ _____	\$ _____
Commissions	\$ _____	\$ _____	\$ _____
Bonus	\$ _____	\$ _____	\$ _____
Total	\$ 0.00	\$ 0.00	\$ 0.00

13. For Military Personnel Only

Pay Grade	Monthly Amount
Base Pay	\$ _____
Rations	\$ _____
Flight or Hazard	\$ _____
Clothing	\$ _____
Quarters	\$ _____
Pro Pay	\$ _____
Overseas or Combat	\$ _____
Variable Housing Allowance	\$ _____

14. If Overtime or Bonus is Applicable, is its Continuance Likely?  
 Overtime  Yes  No  
 Bonus  Yes  No

15. If paid hourly — average hours per week \_\_\_\_\_

16. Date of applicant's next pay increase \_\_\_\_\_

17. Projected amount of next pay increase \_\_\_\_\_

18. Date of applicant's last pay increase \_\_\_\_\_

19. Amount of last pay increase \_\_\_\_\_

20. Remarks (If employee was off work for any length of time, please indicate time period and reason) \_\_\_\_\_

**Part III — Verification of Previous Employment**

21. Date Hired \_\_\_\_\_ 22. Date Terminated \_\_\_\_\_ 23. Salary/Wage at Termination Per (Year) (Month) (Week) \_\_\_\_\_  
 Base \_\_\_\_\_ Overtime \_\_\_\_\_ Commissions \_\_\_\_\_ Bonus \_\_\_\_\_

24. Reason for Leaving \_\_\_\_\_ 25. Position Held \_\_\_\_\_

**Part IV — Authorized Signature** - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CFD Assistant Secretary.

26. Signature of Employer \_\_\_\_\_ 27. Title (Please print or type) \_\_\_\_\_ 28. Date \_\_\_\_\_

29. Print or type name signed in Item 26 \_\_\_\_\_ 30. Phone No. \_\_\_\_\_

Fannie Mae  
Form 1005

# Breakdown of Variable Income Example



W-2s show total.

22222	Void <input type="checkbox"/>	Employee's social security number 123-45-6789	For Official Use Only ▶ OMB No. 1545-0008
b Employer identification number (EIN) 12-1234567	1 Wages, tips, other compensation 46,316.00	2 Federal income tax withheld 12,500.00	
c Employer's name, address, and ZIP code Readdle 795 Folsom Street San Francisco, CA 94107	3 Social security wages 47,550.00	4 Social security tax withheld 3,087.50	
	5 Medicare wages and tips 47,550.00	6 Medicare tax withheld 689.48	
	7 Social security tips	8 Allocated tips	
d Control number R3D1	9 Verification code	10 Dependent care benefits	
e Employee's first name and initial Nikita V	Last name Blyik	11a Nonqualified plans	11b See instructions for box 12 D 1,234.00
123 Example Street Sample City, CA 12345		13a Statutory employee <input type="checkbox"/>	13b Retirement plan <input checked="" type="checkbox"/>
		13c Third party sick pay <input type="checkbox"/>	13d Other <input type="checkbox"/>
f Employee's address and ZIP code	14 Other	15a	15b 123.45
15 State Employer's state ID number CA 123-123-12 CA	16 State wages, tips, etc. 47,550.00	17 State income tax 1,535	18 Local wages, tips, etc. 47,550.00
		19 Local income tax 750	20 Locality name SF

22222	Void <input type="checkbox"/>	Employee's social security number 123-45-6789	For Official Use Only ▶ OMB No. 1545-0008
b Employer identification number (EIN) 12-1234567	1 Wages, tips, other compensation 47,066.00	2 Federal income tax withheld 12,550.00	
c Employer's name, address, and ZIP code Readdle 795 Folsom Street San Francisco, CA 94107	3 Social security wages 48,300.00	4 Social security tax withheld 2,994.60	
	5 Medicare wages and tips 48,300.00	6 Medicare tax withheld 700.35	
	7 Social security tips	8 Allocated tips	
d Control number R3D1	9 Verification code	10 Dependent care benefits	
e Employee's first name and initial Nikita V	Last name Blyik	11a Nonqualified plans	11b See instructions for box 12 D 1,234.00
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15 State Employer's state ID number CA 123-123-1234	16 State wages, tips, etc. 48,300.00	17 State income tax 1,535	18 Local wages, tips, etc. 48,300.00
		19 Local income tax 760	20 Locality name SF

WVOEs show breakdown AND total.

**Fannie Mae**

## Request for Verification of Employment

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**Part I - Request**

1. To (Name and address of employer)  
Readdle  
795 Folsom Street  
San Francisco, CA 94107

2. From (Name and address of lender)  
Your Mortgage Company

3. Signature of Lender  
4. Title  
5. Date  
6. Lender's Number (Optional)

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number)  
Nikita V. Blyik  
123 Example Street, Sample City, CA 12345

8. Signature of Applicant

**Part II - Verification of Present Employment**

9. Applicant's Date of Employment  
08/14/17

10. Present Position  
Data Analyst

11. Probability of Continued Employment

12A. Current Gross Base Pay (Enter Amount and Check Period)

Annual  Hourly  Other (Specify) biweekly

\$ 1,875.00

13. For Military Personnel Only

Pay Grade	Monthly Amount
Type	
Base Pay	\$
Flight or Hazard	\$
Clothing	\$
Quarters	\$
Pro Pay	\$
Overseas or Combat	\$
Variable Housing Allowance	\$

14. If Overtime or Bonus is Applicable, is its Continuance Likely?

Overtime  Yes  No  
Bonus  Yes  No

15. If paid hourly - average hours per week

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase

19. Amount of last pay increase

Type	Year To Date	Past Year 2022	Past Year 2021
Base Pay	Thru: 6/15/23 \$ 24,375	\$ 44,200	\$ 42,250
Overtime	\$ 1,850	\$ 3,600	\$ 2,300
Commissions	\$	\$	\$
Bonus	\$ 500	\$ 500	\$ 3,000
Total	\$ 26,725	\$ 48,300	\$ 47,550

# Knowledge Check One

Is the following True or False?

- The income documentation must support the history of receipt, if applicable, and the amount, frequency and duration of the income.



# Check Your Understanding One

The correct answer is *True*.

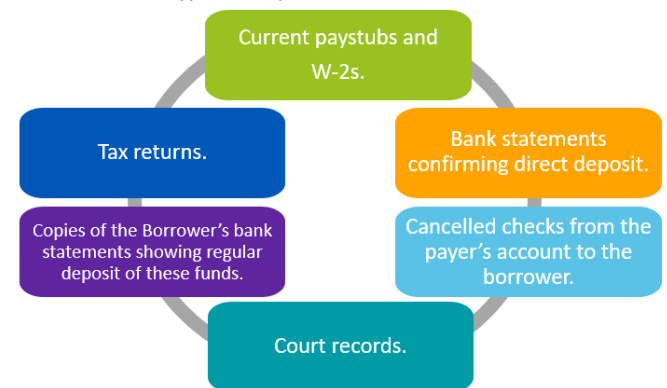
- *The income documentation must support the history of receipt of the income, if applicable, as well as the amount, frequency and duration of the income.*
- *In addition, evidence of current receipt of the income must generally be dated within four months of the closing date.*

## Documentation Requirements for Current Receipt of Income

The income documentation must support the history of receipt, if applicable, and the amount, frequency and duration of the income.

In addition, evidence of current receipt of the income must *generally* be dated within four months of the closing date.

Current receipt may be documented by various means, depending on the income type. Examples include, but are not limited to:



# Components of Paystubs and W-2s



# Paystub Components



- Borrower Identification
- Employer Identification
- Year-To-Date Earnings
- Pay Rate

EARNINGS STATEMENT																																																																																																				
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- Pay Frequency
- Deductions
- Period Ending Date
- Pay Date

# Paystub Components — Borrower Identification

**Borrower Identification**

**Employer Identification**

Identifies to whom the paystub belongs.

Identifies the employer.

Identification may not always be the borrower's name.

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# Paystub Components — Borrower Wages



Pay Rate

Year-To-Date Earnings

Identifies the borrower's base pay rate.

Identifies all year-to-date earnings. There is a total.

EARNINGS STATEMENT					
CO FILE DEPT CLOCK VCHR NO 060 WFC 100145 001003 0000210001 1					
ARCH TECHNOLOGY HIGHWAY 10 HOUSTON, TX 77097					
Taxable Marital Status: Married Exemptions/Allowances: Federal 2 State 2					
Social Security Number: XXX-XX-6780					
Period Ending: 06/30/20xx Pay Date: 06/30/20xx					
000000000001 TOM BRUISE 7809 HEATHER RIDGE HOUSTON, TX 77097					
Earnings		rate	hrs	this period	year to date
Regular		2,673.24	86.67	2,673.24	28,543.57
Bonus					2,000.00
<b>Gross Pay</b>				2,673.24	30,543.57
Deductions		Statutory			
	Federal Income Tax			-400.98	4,811.76
	Social Security Tax			-112.27	1,347.24
	Medicare Tax			-38.75	465.00
Other		Chking			
				-2,121.24	
<b>Net Pay</b>				2,121.24	
*Excluded from federal taxable wages Your federal taxable wages this period are \$2,121.24					

Each pay type is separate; then total for all types.



# Paystub Components — Pay Cycle

Pay Frequency

Deductions

Identifies the pay cycle or frequency of the pay.

Identifies payroll deductions.

Sometimes, two paystubs are required.

Check for accuracy. Look for garnishments.

EARNINGS STATEMENT							
CO	FILE	DEPT	CLOCK	VCHR NO	060		
WFC	100145	001003		0000210001	1		
ARCH TECHNOLOGY HIGHWAY 10 HOUSTON, TX 77097							
Taxable Marital Status: Married							
Exemptions/Allowances:							
Federal 2							
State 2							
Social Security Number: XXX-XX-6780							
Period Ending: 06/30/20xx							
Pay Date: 06/30/20xx							
000000000001							
TOM BRUISE							
7809 HEATHER RIDGE							
HOUSTON, TX 77097							
Earnings		rate	hrs	this period	year to date	Other Benefits Information	
Regular		2,673.24	86.67	2,673.24	28,543.57	this period	total to date
Bonus					2,000.00		
<b>Gross Pay</b>				2,673.24	30,543.57		
Deductions							
<b>Statutory</b>							
Federal Income Tax				-400.98	4,811.76		
Social Security Tax				-112.27	1,347.24		
Medicare Tax				-38.75	465.00		
<b>Other</b>							
Chking				-2,121.24			
<b>Net Pay</b>				2,121.24			
<b>*Excluded from federal taxable wages</b>							
Your federal taxable wages this period are \$2,121.24							

# Pay Cycle/Frequencies — Things to Look For

Pay Cycle/Frequency	Things to Look For
Hourly	<ul style="list-style-type: none"><li>▪ Determine average number of hours worked.</li></ul>
Weekly	<ul style="list-style-type: none"><li>▪ Typical 40-hour paycheck = one week.</li></ul>
Biweekly	<ul style="list-style-type: none"><li>▪ Typical 80-hour paycheck = two weeks.</li><li>▪ Pay date is often Friday.</li></ul>
Semimonthly	<ul style="list-style-type: none"><li>▪ Typical paycheck is 86.67 hours.</li><li>▪ Pay date is often the 15th and 30th/31st.</li></ul>
Monthly	<ul style="list-style-type: none"><li>▪ Period covered is one month.</li></ul>

# Paystub Components — Pay Date, Period Ending Date



Pay date

Period ending date

Identifies the date the pay was received.

Identifies the date through which the pay was earned.

EARNINGS STATEMENT																
<table border="1"> <tr> <td>CO</td> <td>FILE</td> <td>DEPT</td> <td>CLOCK</td> <td>VCHR NO</td> <td>060</td> </tr> <tr> <td>WFC</td> <td>100145</td> <td>001003</td> <td></td> <td>0000210001</td> <td>1</td> </tr> </table>					CO	FILE	DEPT	CLOCK	VCHR NO	060	WFC	100145	001003		0000210001	1
CO	FILE	DEPT	CLOCK	VCHR NO	060											
WFC	100145	001003		0000210001	1											
<b>ARCH TECHNOLOGY</b> HIGHWAY 10 HOUSTON, TX 77097																
Period Ending: 06/30/20xx Pay Date: 06/30/20xx																
00000000001 <b>TOM BRUISE</b> 7809 HEATHER RIDGE HOUSTON, TX 77097																
Taxable Marital Status: Married Exemptions/Allowances: Federal 2 State 2 Social Security Number: XXX-XX-6780																
<b>Earnings</b>	rate	hrs	this period	year to date												
Regular	2,673.24	86.67	2,673.24	28,543.57												
Bonus				2,000.00												
<b>Gross Pay</b>			2,673.24	30,543.57												
<b>Deductions</b>	<b>Statutory</b>															
			-400.98	4,811.76												
			-112.27	1,347.24												
			-38.75	465.00												
	<b>Other</b>															
			-2,121.24													
<b>Net Pay</b>			2,121.24													
*Excluded from federal taxable wages Your federal taxable wages this period are \$2,121.24																
<table border="1"> <tr> <th colspan="3">Other Benefits Information</th> <th>this period</th> <th>total to date</th> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>					Other Benefits Information			this period	total to date							
Other Benefits Information			this period	total to date												

Period Ending date is the date used for income calculation.

# Pay Cycle/Frequency and Formulas

Pay Cycle/Frequency	Formula
Hourly	Hourly Rate x Average Weekly Hours x 52/12.
Weekly	Weekly Rate x 52/12.
Biweekly	Biweekly Rate x 26/12.
Semimonthly	Semimonthly Rate x 2 or Semimonthly Rate x 24/12.
Monthly	Monthly Rate.

## Frequency Example

**\$5,000**

Weekly Rate

5,000 x 4 weeks per  
month =  
**\$20,000/month**

\$5,000 x (52 weeks a  
year/12 months) =  
**\$21,666.67**

**Table 1. Frequency of pay period in the CES survey, February 2023**

Length of pay period	Percentage
Weekly	27.0
<b>Biweekly</b>	<b>43.0</b>
Semimonthly	19.8
Monthly	10.3

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

**Table 2. Frequency of pay periods by size class in the CES survey, February 2023**

Size	Weekly	Biweekly	Semimonthly	Monthly
1–9	24.1%	39.0%	22.5%	14.5%
10–19	34.0	46.5	15.9	3.7
20–49	32.8	51.1	14.7	1.4
50–99	31.6	54.0	13.4	1.0
100–249	27.3	59.4	12.5	0.7
250–499	24.7	63.4	11.4	0.5
500–999	25.4	63.8	10.1	0.7
1,000+	26.3	66.6	5.6	1.5

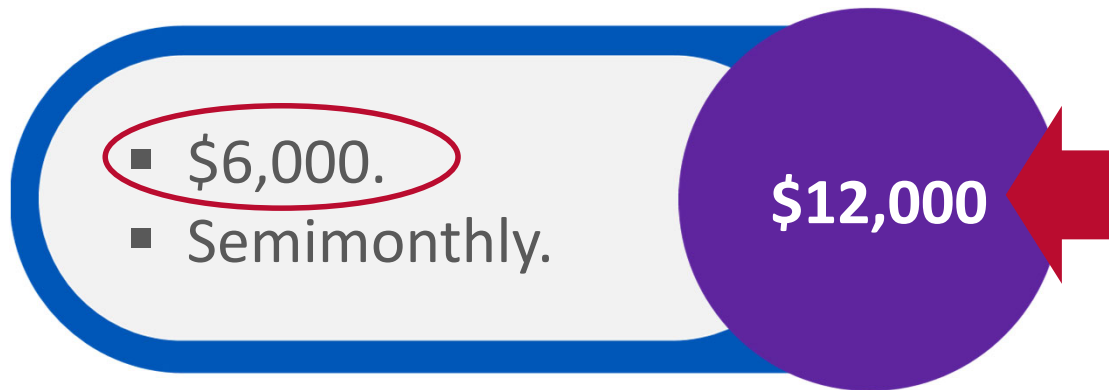
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics survey.

# Pay Cycle/Frequency — Semimonthly, Biweekly

## Example One



## Pay Cycle/Frequency — Semimonthly, Biweekly Example Two





# Paystub Example — No Frequency Indicated



Sometimes, you can piece it together.

CO	FILE	DEPT	CLOCK	VCHR NO	060
WFC	100142	001002		0000210002	2

**EARNINGS STATEMENT**

Arch Travel Services  
2155 Ft. Worth Way  
Dallas, TX 75201

Period Ending: 10/31/20XX  
Pay Date: 10/29/20XX

00000000002  
LIAM GLEASON  
222 GROVE ROAD  
IRVING, TX 75014

Taxable Marital Status: Married  
Exemptions/Allowances:  
Federal 3  
State 3

Social Security Number: XXX-XX-2345

Earnings	rate	hrs	this period	year to date	Other Benefits Information	this period	total to date
Regular	5,587.62		5,587.62	110,119.24			
<b>Gross Pay</b>			<b>5,587.62</b>	<b>110,119.24</b>			
Deductions	Statutory						
	Federal Income Tax		-1,564.54	15,121.40			
	Social Security Tax		-346.43	6,728.60			
	Medicare Tax		-81.02	1,420.40			
Other							
	Chking		-3,595.63				
<b>Net Pay</b>			<b>3,595.63</b>				

\*Excluded from federal taxable wages  
Your federal taxable wages this period are \$5,587.62

## October 20XX

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

At other times, you may need two consecutive paystubs.

# Paystubs with Unique Considerations



Teachers

Military Personnel



Postal Workers

# Teachers

- Many teachers are paid biweekly on a **10-month** schedule instead of a 12-month schedule.
- Teacher income must be annualized and divided out.



Teacher may opt into a year-round pay program to distribute 10-month salary over 12 months, or they may not be paid over the summer.

## IMPORTANT!

You must determine the **actual** number of pay periods **before** calculating the income.

## Pay Cycle/Frequency — Teacher Example

- \$2,600.
- Biweekly.

**\$5,633.33**

$\$2,600 \times 26 = \$67,600$

$\$2,600 \times 20 = \$52,000$

- \$2,600.
- Biweekly (20 pay periods)

**\$4,333.33**

# United States Postal Service (USPS) — Earnings Statement



**Borrower Identification:**  
Name and Social Security Number.

**Employer Identification:** USPS (United States Postal Service).

**Pay Rate:**  
Annual or Hourly.

**Year-To-Date Earnings.**

**Pay Frequency:**  
Biweekly.

**Deductions.**

**Pay Period:**  
Pay number followed by year.

**Period Ending Date:**  
See USPS Chart (next slide).

**USPS Earnings Statement**

XX	YY	EXHIBIT PURPOSES ONLY		123-45-6789	03-XX	98765432109876543210							
PAYLOC	FINANCE NO.	EMPLOYEE NAME		SOCIAL SECURITY NO.	PAY PERIOD	SERIAL NUMBER							
DETAIL EARNINGS				GROSS TO NET				LEAVE STATUS					
WK	RSC/LEW	RATE	CODE	TYP	HOURS	PAY	THIS PERIOD	YEAR-TO-DATE	ANNUAL LEAVE				
2	0 01	44042	134	W	32 00	677 57	GROSS PAY	2060 13	6169 58	FROM PREV YR			
2	0 01		134	O	8 84	280 77	FED TAXS01	353 20	1094 06	EARNED BAL			
1	0 01		134	W	24 00	508 18	ST TAXV801	70 15	210 25	USED YR			
1	0 01		134	O	2 69	85 44	RETIRE	118 57	355 71	THIS PP			
				L	24 00	508 17	MEDICARE	28 44	85 33	BALANCE			
							INSZI	33 80	105 90	SICK LEAVE			
							A LOT			FROM PREV YR			
							TSP S			CARRIED THIS YR 4 00			
							TSPLE			USED YR			
							FAHHC	38 46	115 38	THIS PP			
							C005			BALANCE			
							HP105	60 14	60 12	LEAVE WITHOUT PAY			
										THIS PP			
										CUMULATIVE			
										USPS RETIREMENT			
							NET PAY	1208.76	NT BK	53559.12			
							FLSA			40 84			

For information about earnings and deductions abbreviations, go to <https://local333.org/paystubs.htm>.

Source: [postalemployeenetwork.com](http://postalemployeenetwork.com)

# USPS 2023 Pay Dates and Leave Year



**2023  
Pay  
Period  
Inclusive  
Dates**

Pay Period	Week One	Week Two	Pay Date	Holidays
01	12-17 to 12-23	12-24 to 12-30	01-06	12-25
02	12-31 to 01-06	01-07 to 01-13	01-20	01-01
03	01-14 to 01-20	01-21 to 01-27	02-03	01-16
04	01-28 to 02-03	02-04 to 02-10	02-17	
05	02-11 to 02-17	02-18 to 02-24	03-03	02-20
06	02-25 to 03-03	03-04 to 03-10	03-17	
07	03-11 to 03-17	03-18 to 03-24	03-31	
08	03-25 to 03-31	04-01 to 04-07	04-14	
09	04-08 to 04-14	04-15 to 04-21	04-28	
10	04-22 to 04-28	04-29 to 05-05	05-12	
11	05-06 to 05-12	05-13 to 05-19	05-26	
12	05-20 to 05-26	05-27 to 06-02	06-09	05-29
13	06-03 to 06-09	06-10 to 06-16	06-23	
14	06-17 to 06-23	06-24 to 06-30	07-07	06-19
15	07-01 to 07-07	07-08 to 07-14	07-21	07-04
16	07-15 to 07-21	07-22 to 07-28	08-04	
17	07-29 to 08-04	08-05 to 08-11	08-18	
18	08-12 to 08-18	08-19 to 08-25	09-01	
19	08-26 to 09-01	09-02 to 09-08	09-15	09-04
20	09-09 to 09-15	09-16 to 09-22	09-29	
21	09-23 to 09-29	09-30 to 10-06	10-13	
22	10-07 to 10-13	10-14 to 10-20	10-27	10-09
23	10-21 to 10-27	10-28 to 11-03	11-10	
24	11-04 to 11-10	11-11 to 11-17	11-24	11-11
25	11-18 to 11-24	11-25 to 12-01	12-08	11-23
26	12-02 to 12-08	12-09 to 12-15	12-22	

**2024  
Pay  
Periods  
Begin**

Pay Period	Week One	Week Two	Pay Date	Holidays
01	12-16 to 12-22	12-23 to 12-29	01-05	12-25
02	12-30 to 01-05	01-06 to 01-12	01-19	01-01

## Example on Previous Slide

- Third pay period of 2023.
- Period ending date of 01/27/23.
- Pay date of 02/03/23.

# Leave and Earnings Statement (LES) — Military



DEFENSE FINANCE AND ACCOUNTING SERVICE MILITARY LEAVE AND EARNINGS STATEMENT														
ID	NAME (Last, First, MI)	SOC. SEC. NO.	GRADE	PAY DATE	YRS SVC	BRANCH	ADSN/DSSN	PERIOD COVERED						
			ES	040211	04	100210	AF	131JUL 09						
ENTITLEMENTS			DEDUCTIONS			ALLOTMENTS			SUMMARY					
Type	Amount	Type	Amount	Type	Amount									
A	BASE PAY 2047.30	FEDERAL TAXES 88.48	DISCRETIONARY ALT 1521.00	+Amt Fed	.00									
B	BAS 204.43	FICA-SOC SECURITY 130.33	TRICARE DENTAL 11.58	+Tot Ent	4908.73									
C	BAH 1725.00	FICA-MEDICARE 32.56		-Tot Ded	1570.22									
D		SGLI 27.00		-Tot Alt	1532.58									
E		AFRH .50		+Net Amt	1163.93									
F		FAMILY SGLI 5.00		-Cr Fwd	.00									
G		TSP 112.37		+EOM Pay	1163.93									
H		MID-MONTH-PAY 1164.47												
TOTAL					4266.73	1570.22	1532.58							
LEAVE		FICA TAXES		STATE TAXES		PAY DATA		THRIFT SAVINGS PLAN (TSP)		REMARKS:				
BF Bal	25.5	Wage YTD	2247.30	Wage YTD	208.83	BAQ Type	WIDEP	Base Pay Rate	5	YTD ENTITLE 27768.11 YTD DEDUCT 2557.92				
Used	11	Soc Tax YTD	14402.50	Med Tax YTD	208.83	BAQ Depn	SPOUSE	Base Pay Current	.00	IF TSP ELECTION AMT EXCEEDS NET AMT DUE, TSP WILL NOT BE DEDUCTED.				
Cr Bal	85.5	Med Wage YTD	14402.50	STATE TAXES	208.83	VHA Zip	08641	Spec Pay Rate	0	-LEAVE CARRYOVER INCREASED TO 75 DAYS FOR FY08. NO ACTION REQUIRED BY MEMBERS. DFAS WILL BEGIN RESTORING AFTER 1 OCT 08.				
Lv Lost	0	Med Tax YTD	208.83	AK	0	Rent Amt	.00	Spec Pay Current	0	-MYPAY HAS ALLOWED MBRs TO ELECT A HARD-COPY LES VIA US MAIL. AF POLICY IS TO PROVIDE AN ELECTRONIC LES. EFF 1 OCT (SEP LES), AF WILL NO LONGER PRINT LES STATEMENTS IF AVAILABLE ON MYPAY. THANK YOU FOR YOUR SUPPORT.				
Lv Paid	0	Share	1	TX	0	Share	1	Inc Pay Current	0	-IF YOUR SPOUSE WANTS INFO ABOUT THE MILITARY LIFESTYLE WE INVITE HIM/HER TO JOIN US FOR THE NEXT HEART LINK SPOUSES ORIENTATION. LUNCH AND CHILD CARE ARE PROVIDED. CALL YOUR				
Use/Lose	0	Stat	R	TX	0	Stat	R	Inc Pay Current	0	BASE AIRMAN & FAMILY READINESS CTR FOR DETAILS.				
FED	2134.93	JFTR	0	TX	0	JFTR	0	Bonus Pay Rate	0	-IF YOU GAMBLE WITH SAFETY...YOU BET YOUR LIFE.				
Wage Period	M	Depns	0	TX	0	Depns	0	Bonus Pay Current	0	-ELECTIONS ARE COMING! UPDATE YOUR ADDRESS TO GET AN ABSENTEE BALLOT. REQUEST YOUR BALLOT FOR THE PRESIDENTIAL AND STATE ELECTIONS. SEE YOUR VOTING ASST. OFFICER OR WWW.FVAP.GOV.				
M/S	02	2D JFTR	0	TX	0	2D JFTR	0	Charity YTD	0.00	TSP 060701(183)				
Ex	00	AS Type	TPC	TX	0	AS Type	TPC	Charity YTD	0.00	RATE CHG SGLI 060701(183)				
Adm Tax	0.00	PACIDN		TX	0.00	PACIDN		Bonus Pay Rate	0.00	CHANGE GRADE 060701(184)				
Tax YTD	253.91			TX	0.00			Bonus Pay Current	0.00	BAH BASED ON WIDEP, ZIP 08641				
				TX	0.00					BANK [REDACTED]				
				TX	0.00					ACCT # [REDACTED]				

**Borrower Identification:** Name and Social Security Number.

**Pay Rate:** Includes Base, Allowances, and Special and Incentive Pays.

**Pay Frequency:** Paid Semi-Monthly with Monthly LES.

**Pay Date =** Enlistment/Commissioning Date.

Only Base Pay is Taxable

Mid-Month-Pay

Format YYYYMMDD

Various sections are identified with CAPITAL letters.

**Employer Identification:** Branch of Service is identified.

**Year-To-Date Earnings:** YTD Entitle.

**Deductions.**

**Period Ending Date:** Period Covered.

Covers one month

## Knowledge Check Two

When calculating qualifying income, which date is more significant?

1. Period Ending Date.
2. Pay Date.
3. They have equal importance.






# Check Your Understanding Two

The correct answer is **1. Period Ending Date**.

- *This is the date through which the borrower has EARNED their income. Pay date is simply the date they receive the pay.*

### Paystub Components — Pay Date, Period Ending Date



**Pay date** (points to 06/30/20xx)

**Period ending date** (points to 06/30/20xx)

Identifies the date the pay was received.

Identifies the date through which the pay was earned.

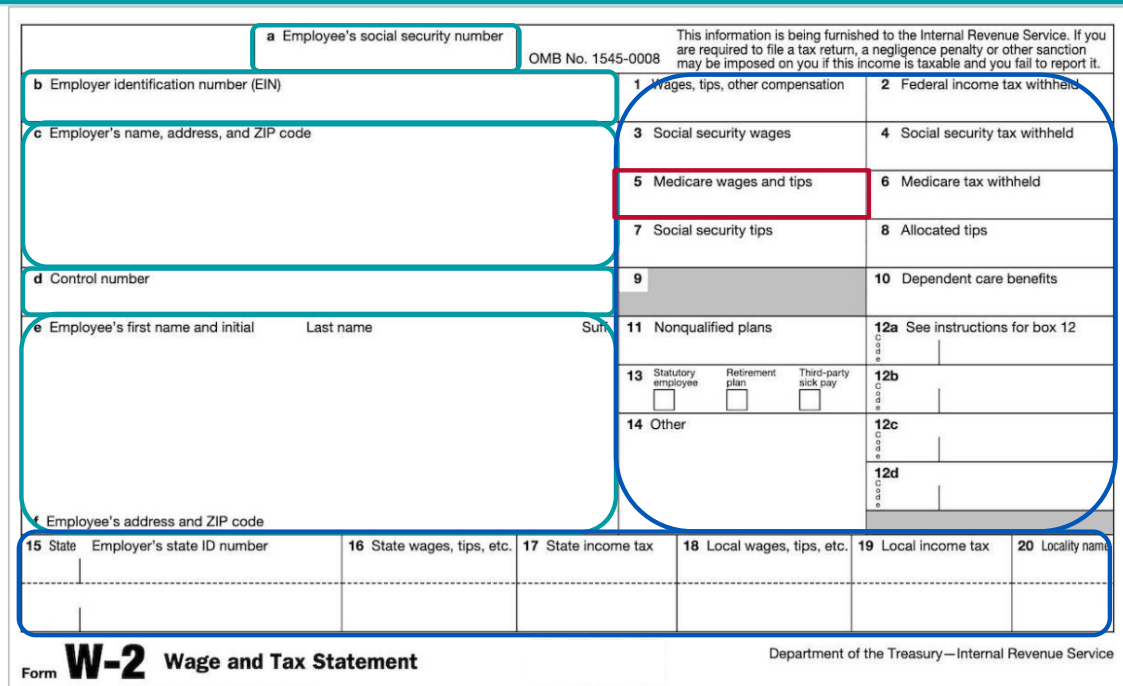
EARNINGS STATEMENT							
ARCH TECHNOLOGY HIGHWAY 10 HOUSTON, TX 77097		Period Ending:	06/30/20xx				
Taxable-Marital Status: Married		Pay Date:	06/30/20xx				
Exemptions/Allowances:		0000000001					
Federal:	2	TOM BRUISE					
State:	2	7809 HEATHER RIDGE					
Social Security Number: XXX-XX-6780		HOUSTON, TX					
		77097					
<b>Earnings</b>	rate	hrs	this period	year to date	Other Benefits Information	this period	total to date
Regular	2,673.24	66.67	2,673.24	26,543.57			
Bonus				2,000.00			
<b>Gross Pay</b>			<b>2,673.24</b>	<b>30,543.57</b>			
<b>Deductions</b>	<b>Statutory</b>						
Federal Income Tax		-400.99		4,811.70			
Social Security Tax		-112.27		1,347.24			
Medicare Tax		-38.75		466.00			
<b>Other</b>	<b>Other</b>						
Other		-2,121.24					
<b>Net Pay</b>			<b>2,121.24</b>				

\*Excluded from federal taxable wages  
Your federal taxable wages this period are \$2,121.24

Period Ending date is the date used for income calculation.

# W-2 Components

Lettered boxes include all identifying information.



This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.

OMB No. 1545-0008

a Employee's social security number		1 Wages, tips, other compensation		2 Federal income tax withheld		
b Employer identification number (EIN)		3 Social security wages		4 Social security tax withheld		
c Employer's name, address, and ZIP code		5 Medicare wages and tips		6 Medicare tax withheld		
		7 Social security tips		8 Allocated tips		
d Control number		9		10 Dependent care benefits		
e Employee's first name and initial		11 Nonqualified plans		12a See instructions for box 12		
Last name		13 Statutory employee <input type="checkbox"/>		12b		
Suffix		Retirement plan <input type="checkbox"/>		12c		
		Third-party sick pay <input type="checkbox"/>		12d		
f Employee's address and ZIP code		14 Other				
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement Department of the Treasury—Internal Revenue Service

Numbered boxes record the taxpayer's financial information.

# Employer Identification Number (EIN)

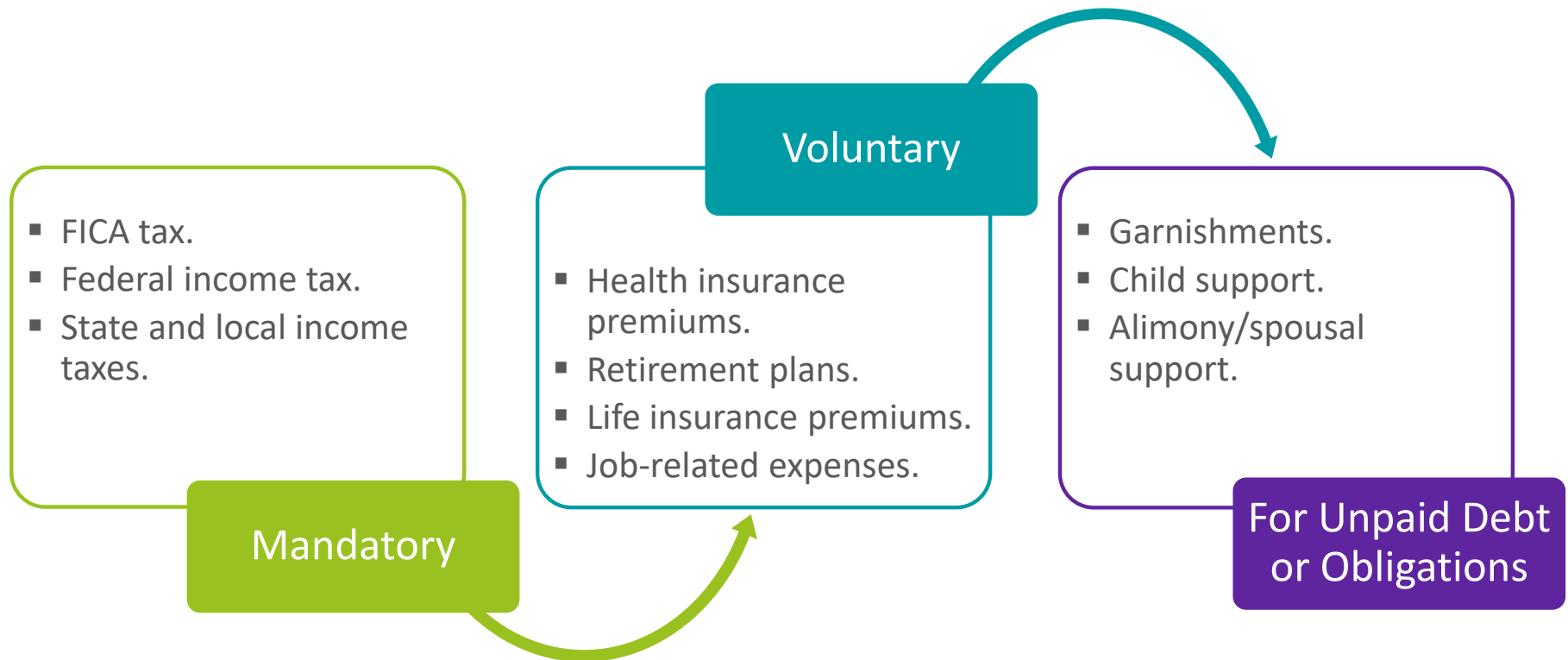
Format = Nine digits with a dash between the second and third digits.

<b>Campus</b>	<b>Code</b>
Andover	10, 12
Atlanta	60, 67
Austin	50, 53
Brookhaven	01, 02, 03, 04, 05, 06, 11, 13, 14, 16, 21, 22, 23, 25, 34, 51, 52, 54, 55, 56, 57, 58, 59, 65
Cincinnati	30, 32, 35, 36, 37, 38, 61
Fresno	15, 24
Kansas City	40, 44
Memphis	94, 95
Ogden	80, 90
Philadelphia	33, 39, 41, 42, 43, 48, 62, 63, 64, 66, 68, 71, 72, 73, 74, 75, 76, 77, 82, 83, 84, 85, 86, 87, 88, 91, 92, 93, 98, 99
Internet	20, 26, 27, 45, 46, 47, 81
Small Business Administration (SBA)	31

# Payroll Deductions



# Deductions



# State Income Tax

Nine states do not have income tax:

1. Alaska.
2. Florida.
3. Nevada.
4. New Hampshire.
5. South Dakota.
6. Tennessee.
7. Texas.
8. Washington.
9. Wyoming.



## OASDI

Old-Age, Survivors, and  
Disability Insurance  
Program

- More commonly known as **Social Security**.
- FICA (Federal Insurance Contributions Act) payroll taxes fund this program.

## HI

Hospital Insurance

- More commonly known as **Medicare**.
- FICA (Federal Insurance Contributions Act) payroll taxes fund this program.

# Individual FICA Rates and Maximums — OASDI (Social Security)

## Social Security

6.2% Tax Rate

Contributions and Benefits Base:

$$\$168,600 \times 6.2\% = \$10,453.20$$

$$\$160,200 \times 6.2\% = \$9,932.40$$

2024 — \$168,600

2023 — \$160,200

2022 — \$147,000

2021 — \$142,800

Maximum wage subject to Social Security Tax by year.

OASDI (Social Security) tax rate for self-employment income in 2024 = 12.4%.

Employee and employer contribute the same amount to the OASDI program.



# Individual FICA Rates and Maximums — Medicare Hospital Insurance

## Medicare

1.45% Tax Rate

No limit on taxable earnings.

An additional 0.9% Medicare Tax applies to earnings over \$200,000 (single filers), \$250,000 (joint filers).

Medicare Hospital Insurance tax rate for self-employment income = 2.9%.

Total FICA Deductions for Social Security and Medicare = 7.65%.

Employee and employer contribute the same amount for Medicare

# Social Security Wage Base



Contribution and benefit bases, 1937-2024

Year	Amount	Year	Amount	Year	Amount
1937-50	\$3,000	1986	\$42,000	2006	\$94,200
1951-54	3,600	1987	43,800	2007	97,500
1955-58	4,200	1988	45,000	2008	102,000
1959-65	4,800	1989	48,000	2009	106,800
1966-67	6,600	1990	51,300	2010	106,800
1968-71	7,800	1991	53,400	2011	106,800
1972	9,000	1992	55,500	2012	110,100
1973	10,800	1993	57,600	2013	113,700
1974	13,200	1994	60,600	2014	117,000
1975	14,100	1995	61,200	2015	118,500
1976	15,300	1996	62,700	2016	118,500
1977	16,500	1997	65,400	2017	127,200
1978	17,700	1998	68,400	2018	128,400
1979	22,900	1999	72,600	2019	132,900
1980	25,900	2000	76,200	2020	137,700
1981	29,700	2001	80,400	2021	142,800
1982	32,400	2002	84,900	2022	147,000
1983	35,700	2003	87,000	2023	160,200
1984	37,800	2004	87,900	2024	168,600
1985	39,600	2005	90,000		

Note: Amounts for 1937-74 and for 1979-81 were set by statute; all other amounts were determined under automatic adjustment provisions of the Social Security Act.

# Social Security and Medicare

## 2023

a Employee's social security number 123-45-6789		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number (EIN) 12-3456789		1 Wages, tips, other compensation 168,140.13	2 Federal income tax withheld 27,953.95		
c Employer's name, address, and ZIP code  Sample Employer		3 Social security wages 160,200.00	4 Social security tax withheld 8,537.40		
		5 Medicare wages and tips 177,024.09	6 Medicare tax withheld 2,276.85		
		7 Social security tips	8 Allocated tips		
		9		10 Dependent care benefits	
d Control number					
e Employee's first name and initial Last name  Sample Employee		11 Nonqualified plans		12a See instructions for box 12	
		13 Statutory employee Retirement plan Third-party sick pay	12b		
		14 Other	12c		
		12d			
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
IL		148,140.13	7,927.50		
20 Locality name					

Form **W-2** Wage and Tax Statement Department of the Treasury—Internal Revenue Service



a Employee's social security number 123-45-6789		This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number (EIN) 12-3456789		1 Wages, tips, other compensation 168,140.13	2 Federal income tax withheld 27,953.95		
c Employer's name, address, and ZIP code  Sample Employer		3 Social security wages 168,140.13	4 Social security tax withheld 8,537.40		
		5 Medicare wages and tips 177,024.09	6 Medicare tax withheld 2,276.85		
		7 Social security tips	8 Allocated tips		
		9		10 Dependent care benefits	
d Control number					
e Employee's first name and initial Last name  Sample Employee		11 Nonqualified plans		12a See instructions for box 12	
		13 Statutory employee Retirement plan Third-party sick pay	12b		
		14 Other	12c		
		12d			
f Employee's address and ZIP code					
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
IL		148,140.13	7,927.50		
20 Locality name					

Form **W-2** Wage and Tax Statement Department of the Treasury—Internal Revenue Service



## Knowledge Check Three

Is the following True or False?

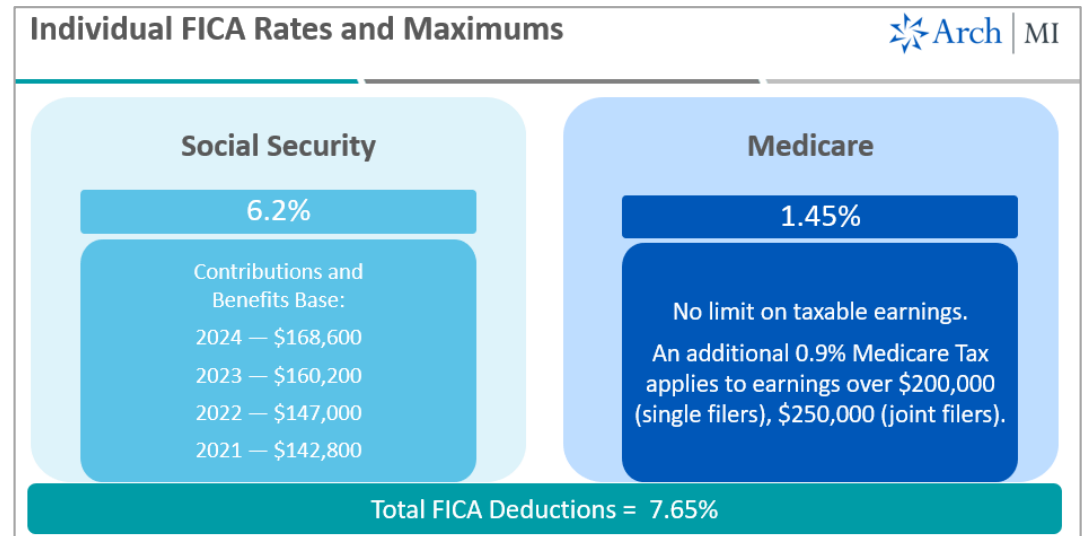
- Both Social Security and Medicare have a wage cap.



## Check Your Understanding Three

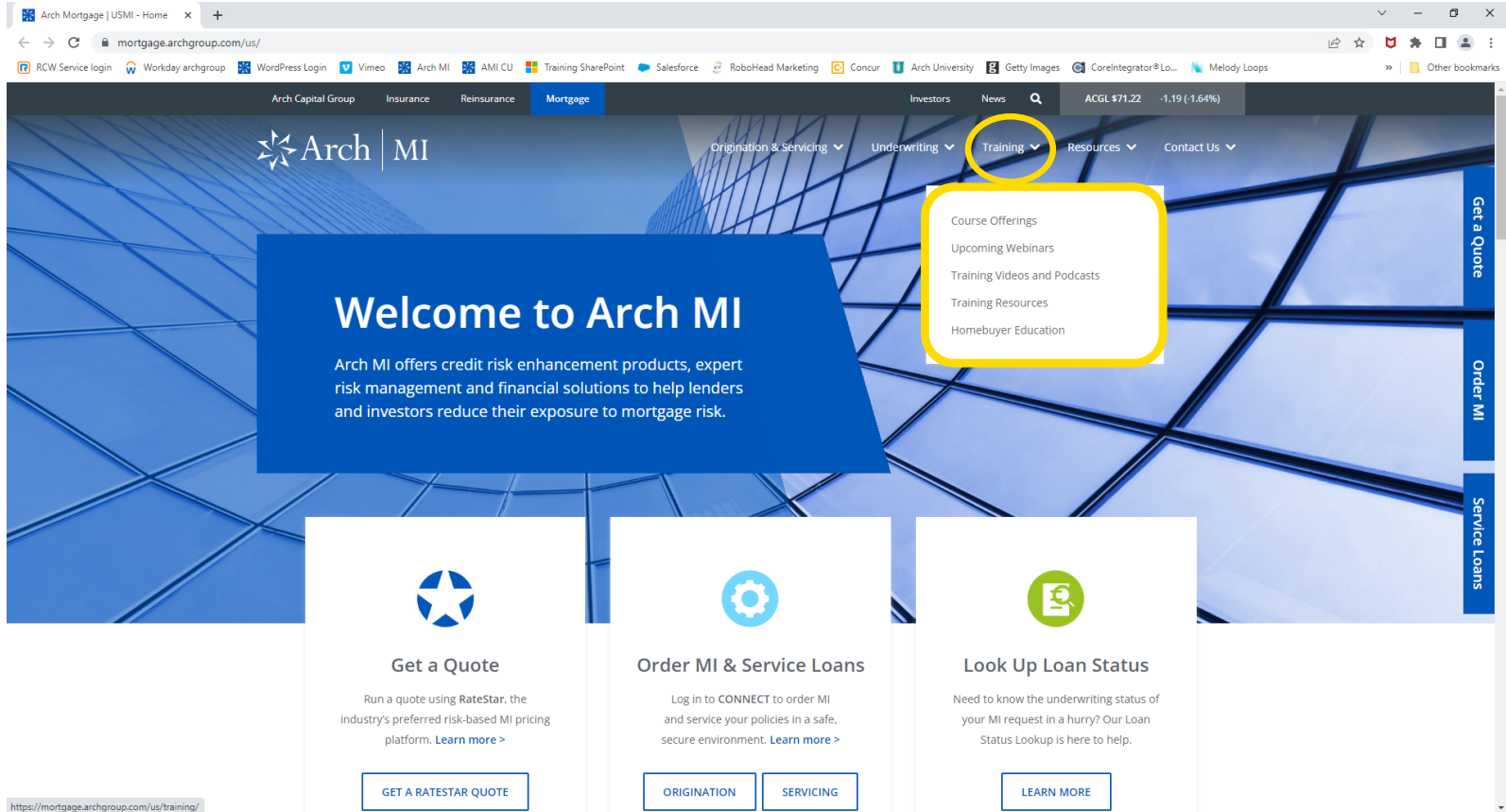
The correct answer is **False**

- *Social Security wage base changes every year.*
- *There is no limit to the amount of wages that are subject to Medicare tax.*



# Tools and Resources





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