

# 7 tax tips for students working this summer

If Payroll were to give an orientation session to new employees, it might sound like this:

Hello, and welcome to the federal tax system. Your wages will now be subject to federal income and FICA withholding, so please learn the difference between gross and net pay.

And don't ask us who this guy FICA is and why he's getting so much of your pay; it's a very old joke and we've heard it before.

## **We know you'd rather be at the beach, but ...**

Here are the seven key tax concepts you should be communicating to the kids who will be working summer jobs at your company.

- 1. Form W-4.** You need to fill out [Form W-4](#), *Employee's Withholding Allowance Certificate*. We use this form to calculate federal income tax withholding from your gross pay. Please don't ask the Payroll department for help in completing this form. Instead, please go to the IRS' [withholding calculator tool](#) for help.
- 2. State W-4s.** The odds are, you won't be exempt from federal income tax, but you may be exempt from state income taxes. So, take an extra five minutes and fill out a state W-4 form.
- 3. Form W-2.** You will receive [Form W-2](#), *Wage and Tax Statement*, from us within 30 days after your employment terminates. Please keep track of this form; you will need it to complete your federal income tax forms next winter. We will charge you if you lose the form and we have to provide you with a replacement.
- 4. Payroll taxes.** Even if you earn too little to owe income taxes at the end of the year, we must withhold FICA taxes—Social Security and Medicare taxes—from your pay. Wages you earn this summer count toward your Social Security benefits when you retire.
- 5. Tip income.** All tip income is taxable. You need to keep a daily log to report your tips. You must report your tip income to us if you receive \$20 or more in cash tips during a month. All tip income is taxable and must be reported on your annual tax return.
- 6. ROTC pay.** If you're in the Reserve Officers' Training Corps (ROTC), active duty pay, such as pay you get for summer advanced camp, is taxable. Other allowances you may receive may not be taxable. To know for sure, download IRS [Publication 3](#).
- 7. Use IRS free file.** You can prepare and e-file your tax return for free by using the IRS' [Free File](#) program. While you may not earn enough to be required to file a federal tax return, you may still want to file, anyway. For example, you will have to file a return to get a tax refund, since we withheld income taxes from your pay.