Calculating Income Tax Worksheet

To start, go to: https://smartasset.com/taxes/alaska-tax-calculator#ntasutqwVZ

You’ll see a table like this:

First off, Alaska doesn’t have a state income tax! Yay! Alaska is one of only seven states that does not have a state tax in addition to a federal tax. The federal tax remains the same no matter where in the U.S. you live, but the state tax can range anywhere from 1.2-10 percent extra. So if you live in Oregon and make $100,000, an extra ten thousand dollars would go to a state tax. Most states that don’t have an income tax make up for it in other ways, such as with sales tax and tax on investments, but Alaska and Wyoming fund most of their state budget by taxing use of their natural resources, such as oil.

If you’re budgeting to live in another state, be sure to change your location and find the correct rate for your estimated income.

Here is an interesting article if you’re curious about how the other six states find their money: http://www.usatoday.com/story/money/personalfinance/2014/04/26/these-states-have-no-income-tax/8116161/

Type in your estimated income—that is, your wages. Some of you will have a yearly salary. You can type that number right in. Some of you will need to calculate your wages. You can do this with this formula: Hourly wage x number of hours per week x 52 weeks. So if you make $10 an hour and work 35 hours a week, that is $350 x 52, or $18,200 a year. Type that in and set your location (probably Anchorage and your filing status, Single).

Once you have that typed in, you’ll see numbers change on the table below:

Click around on the page to discover the definitions of Marginal Tax Rate, Effective Tax Rate, FICA, and Property Tax. Write them here:

Marginal Tax Rate:

Effective Tax Rate:
FICA:

Property Tax:

Property taxes are charged by the city of Anchorage to cover municipal costs, such as sewer, transportation, and city parks, etc. Since in this unit you will be renting instead of owning a home, you will not pay property taxes. Therefore your income after taxes will be the first bolded number, such as in this example here:

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Marginal Tax Rate</th>
<th>Effective Tax Rate</th>
<th>Tax Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal</td>
<td>15.00%</td>
<td>9.24%</td>
<td>$3,234</td>
</tr>
<tr>
<td>FICA</td>
<td>7.65%</td>
<td>7.65%</td>
<td>$2,678</td>
</tr>
<tr>
<td>State</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$0</td>
</tr>
<tr>
<td>Local</td>
<td>0.00%</td>
<td>0.00%</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Income Taxes</strong></td>
<td></td>
<td></td>
<td><strong>$5,912</strong></td>
</tr>
<tr>
<td><strong>Income After Taxes</strong></td>
<td></td>
<td></td>
<td><strong>$29,088</strong></td>
</tr>
</tbody>
</table>

Once you know your income after taxes, record it here:

My income per year, after taxes is: ____________________________

Great! Now go to one of these two budgets:
For college students:
https://www.cicmoney101.org/Calculators/Budget-Worksheets/Traditional-College-Student.aspx
For working adults (no college or after college):
https://www.cicmoney101.org/Calculators/Budget-Worksheets/Adult-Budget-Worksheet.aspx#AdultNonStudent

It’s time to start budgeting! As you budget, you'll need to prioritize your spending. What is most important to you? Follow the tips on the Budgeting Quick Tips and Information page to determine how much to spend on each line item.

IMPORTANT NOTE: Please, do NOT contact potential landlord or car sellers if you aren’t actually looking for housing or a car, especially if you are under 18 years of age. You are not required to communicate with anyone other than me for this project.

Sign here that you understand this:
DEBT
Do you expect to have student loans or credit card debt? (p.s. try really hard not to have credit card debt—there are SO many ways to borrow money at a lower interest rate). Be sure to calculate your payments and interest. Remember that the quicker you pay off a loan, the less interest you pay. Go here to calculate your student loan payments: http://www.finaid.org/calculators/loanpayments.phtml
ASK FOR HELP WITH THIS!!!

HOUSING
A good rule of thumb is to spend 30 percent of your income on housing. This can be entirely devoted to rent, or if you choose to start saving up to buy a house, you can find a cheaper place or get a roommate and save the difference.
Great places to find housing:
Craiglist
Zillow.com
apartments.com

UTILITIES
Utilities can range excessively depending on where you live and what the situation is. Be sure to pay attention to what utilities are included when searching for housing. Remember that internet is metered in Anchorage (and most of Alaska) and be sure to choose an appropriate package.

TRANSPORTATION
Do you need a car? You can budget for a car payment right off the bat or take public transportation/ride a bike/walk and save the difference to buy a nicer car later. Don’t forget that you’ll pay car insurance and gas as well.
Places to find cars:
Auto Trader
Dealer Websites
Craigslist
Facebook groups (JBER Lemon Lot 2.0)

GIVING
Do you regularly give to charitable organizations or churches? Don’t forget to budget for that.

ENTERTAINMENT
Do you enjoy going to the movies? Going out to eat? Getting a $6 latte every day? Be sure to consider these things as you decide what is important. Don’t underbudget! Remember that two movie tickets, soda and popcorn can easily top $40 at most Anchorage movie theaters.

PERSONAL EXPENSES
Hygiene products, makeup, clothing, salons... it adds up!

FOOD/HOUSEHOLD EXPENSES
Groceries are much more than you expect. Remember that if you have a roommate, you may be able to share grocery and homgood costs. This would include toilet paper, cleaning supplies, home décor, and communal electronics (living room TV, blender, toaster, etc.)

MEDICAL EXPENSES
Does your job provide medical insurance? Is there a co-pay or premium to pay? If medical insurance is not included, what are your options? (Two quick options: paying for an individual plan or, if you’re lucky and your parents have medical insurance, see if they will allow you to stay on their plan until you turn 26. Do you have a current prescription that you’ll need to cover?

PET EXPENSES
Pets are a big responsibility, both with your personal time and your money. Be sure to budget appropriately if you plan on taking a pet with you or getting one in your new place. MAKE SURE YOU LOOK FOR PET FRIENDLY HOUSING IF YOU PLAN ON GETTING A PET!

SAVINGS
Saving money is incredibly important. Decide how much money you want to save a month and how you’d like to prioritize it.
Prioritizing Your Budget

What is most important to you? List the top five things you will prioritize in your budget AND WHY.

1. 
2. 
3. 
4. 
5. 

List three things that you will not prioritize in your budget, and why.

1. 
2. 
3. 

What kind of debt will you have to pay off? How do you plan to pay it off?

How much money do you want to save per month and what are you saving for?