Lesson 2 Teacher Guide: The Basics of Withholding

Objectives

As a result of this lesson, students will be able to explain the basics of withholding taxes and related tax forms, such as the Minnesota Employee Withholding Certificate (Form W-4MN). More specifically, students will be able to:

a. Define withholding and explain the purpose of withholding.
b. List the forms used to set individual income tax withholding amounts.
c. Explain how withholding impacts the outcome of an individual's tax return and the amount of money available in their paycheck.

Lesson Components

Online Learning Module

The Lesson Two learning module has nine sections, and we estimate it will take students 20 to 30 minutes to complete.

The components include:

- **The written lesson**
  The content is presented through written lectures. Students will need to select tabs, use directional arrows, and open links to fully engage with the information.
- **Vocabulary words**
  Important vocabulary words are in bold throughout this lesson. At the bottom of each section, the vocabulary words appear on flashcards and their definitions are revealed when students select each one.
- **Vocabulary matching exercises**
  There are two vocabulary matching exercises throughout this lesson. Vocabulary words are on the left column and definitions are on the right column. Students must select and drag the definitions to the correct vocabulary word. They cannot submit the exercise until all items are matched, and they will receive feedback on correct and incorrect answers after submitting the exercise.
- **Checks for understanding**
  Students must complete two checks for understanding activities in this lesson. The first check for understanding consists of three multiple choice questions and two true or false questions. The second

consists of six multiple choice questions and one true or false question. The pass rate is 80%. If students score below 80%, they will be prompted to retake them. You will not receive students' scores. If you would like this information, we suggest asking students to email you a screenshot of their scores or recreating the questions in your preferred format.

Note-Taking Guide

We included a PDF note-taking guide to accompany the online learning module. The note-taking guide is for students to fill out as they complete the lesson. This guide will help students complete the vocabulary matching exercises and check for understanding activities.

Answer Keys

Vocabulary Check 1

Match the key vocabulary term with the correct definition. (Terms and definitions here are listed as matching pairs and need to be randomized for assessment.)

Vocabulary Term	Definition
Individual Income Taxes	Taxes individuals pay on money they earn.
Withholding	A certain amount of money an employer takes from each paycheck and sends to the government to cover the income tax you will owe for the year.
Form W-4	The form that determines how much money to withhold for your federal income tax.
Form W-4MN	The form that determines how much money to withhold for your Minnesota income tax.

Vocabulary Check 2

Match the key vocabulary term with the correct definition. (Terms and definitions here are listed as matching pairs and need to be randomized for assessment.)

Vocabulary Term	Definition
Social Security Number (SSN)	An identification number issued by the Social Security Administration needed to file a tax return.
Allowances	Numbers you enter on Form W-4MN that help determine how much money to withhold from your paycheck for your Minnesota income tax.
Exempt	A status that means you do not need to have Minnesota income tax withheld because you meet certain criteria.

Minnesota Individual Income Tax Return	A form you use to report your income, withholding, and other factors to the government.
Refund	Money paid to you by the government when you have paid more in individual income taxes than you owe.
Employee	A person who works for a company where the company has the right to control how the worker performs the work and the results of that work.
Contractor	A person who a company hires to do a job where the company controls the results but the worker controls how the work is performed.
Self-employed	A person who works for themselves and has the right to control both how the work gets done and the results of the work.
Estimated Tax Payments	Payments made to the government to cover taxes on income where an employer does not withhold taxes, like freelance or contract work.

Check for Understanding 1

These are assessment questions for this lesson. Correct answers are in bold.

1. True or false: Withholding allows people to pay their income tax through small payments throughout the year instead of owing one big payment at the end of the year.
    a. **True**
    b. False
2. Which form do you use to set up your federal income tax withholding?
    a. **Form W-4**
    b. Form W-4MN
3. Which form do you use to set up your Minnesota income tax withholding?
    a. Form W-4
    b. **Form W-4MN**
4. When do you typically fill out Forms W-4 and W-4MN?
    a. When you file your Individual Income Tax return
    b. When you have finished your first full year of work
    c. When you reach a certain income level
    d. When you first start a job
5. True or false: You can change the amount of money being withheld from your paycheck by filling out new Forms W-4 and W-4MN when your personal or financial situation changes, even if you are not starting a new job.
    a. True
    b. False

Check for Understanding 2

1. What do allowances on Form W-4MN determine?
    a. How much vacation time you earn

   b. **How much Minnesota income tax is withheld from your paycheck**
   c. How much your employer offers you as pay
   d. Home much federal income tax you pay
2. Which of the following can affect the number of allowances you claim? (Select all that apply)
   a. **Whether someone else can claim you as a dependent**
   b. **Whether you have only one job or multiple jobs**
   c. Whether you work overtime at your job or not
   d. **Whether you have dependents of your own**
3. If someone increases the allowances on their Form W-4MN, how will that impact the amount of tax that is withheld from their pay?
   a. **Increasing allowances will result in less money being withheld from their pay**
   b. Increasing allowances will result in more money being withheld from their pay
4. If someone increases the allowances on their Form W-4MN, how will that impact the amount of money in their paycheck?
   a. Increasing allowances will result in a smaller paycheck
   b. **Increasing allowances will result in a larger paycheck**
5. If someone decreases the allowances on their Form W-4MN, how will that impact the amount of tax that is withheld from their pay?
   a. Decreasing allowances will result in less money being withheld from their pay
   b. **Decreasing allowances will result in more money being withheld from their pay**
6. If someone decreases the allowances on their Form W-4MN, how will that impact the amount of money in their paycheck?
   a. **Decreasing allowances will result in a smaller paycheck**
   b. Increasing allowances will result in a larger paycheck
7. True or false: It may be beneficial to file a Minnesota Individual Income Tax return, even if you are not required to, because you may be owed a refund.
   a. **True**
   b. False

Resources Linked in Lesson

These links are referenced in this lesson:

- W-4MN, Minnesota Employee Withholding Allowance/Exemption Certificate
- Find a Form | Minnesota Department of Revenue