

Problem 11: Tips

Ken Gorman is a maitre d' at Carmel Dinner Club. On Feb. 6, his gross pay was \$800 (3 days working, one paid vacation day, and one paid sick day). He also reported to his employer tips of \$900 for the previous month (applicable taxes to be deducted out of this pay). Ken belongs to the company's 401(k) plan and has 10% of his gross pay (\$800) deducted each week (salary reduction). Carmel Dinner Club also provides a 50% matching contribution (\$40) into the plan for Ken. OASDI tax rate is 6.2% with a \$93,000 wage base. HI tax rate is 1.45%.

Summary of Ken's wages and 401k balance:

Additions:

+\$800 gross pay

+\$900 tips

+\$40 employer contribution to Ken's 401(k)

Subtractions:

- \$80 employee contribution to 401(k)

This week's pay would have a:

(a) Deduction for OASDI tax: \$

(b) Deduction for HI tax: \$