**Taxes and Your Summer Job**

Is your teenager planning to get a job this summer? About [one-third of kids](http://www.pewresearch.org/fact-tank/2015/06/23/the-fading-of-the-teen-summer-job/) between 16 and 19 work during their summer break, according to the Pew Research Center. But what do they need to know about the financial side of life in the workforce? The \_\_\_\_\_\_\_\_\_ Society of CPAs gets teen workers and their parents up to speed on taxes and summer employment.

**Plan for Taxes**

Students may hear a lot about taxes in the news or at the dinner table, but a summer job is likely their first experience in actually paying taxes. As a result, they may be surprised when they receive their first paycheck and find that it’s not quite as much as they expected. If they have big dreams for using or saving the money they’ll earn, it’s important to know how much money they’ll actually take home and how much will be withheld each week so that their plans remain on course.

**Get the Information You Need**

Employers generally ask every worker—including temporary summer help—to fill out a federal Form W-4 and a state Form W-4 (if applicable), which gathers information about them and is used to calculate the amount of federal and state income taxes that should be withheld from every paycheck. Even if the employee doesn’t earn enough to owe federal and state income taxes, employers typically must withhold [Social Security and Medicare taxes](https://www.irs.gov/uac/newsroom/tax-information-for-students-who-take-a-summer-job). An employee’s first paycheck, which should detail how much is being withheld for various taxes, will provide a great deal of information and make it easier to budget for the rest of the summer.

[**Tips Are Taxable Too**](https://www.irs.gov/uac/newsroom/tax-information-for-students-who-take-a-summer-job)

If a teenager’s summer job includes tips, they should be sure to keep daily records of all cash tips received and report total cash tip income of $20 or more in any month to their employer. All the tips they earn in a year must be reported on their tax return, as well.

**Expect Taxes Even If You’re Self-Employed**

Self-employed entrepreneurs who spend the summer doing things like running a landscaping business, selling products online or doing tech consulting may need to make quarterly, estimated tax payments based on their earnings. They should be sure to keep thorough records and receipts so that they can track their income and estimate their quarterly tax bill, as well as qualify for deductions that might lower their total taxable income and the taxes they owe.

**Know Whether to File or Not**

If a teenager can be claimed as a dependent on someone else’s tax return, they generally don’t have to file a return [if his or her total income for the year was less than $6,300](https://turbotax.intuit.com/tax-tools/tax-tips/IRS-Tax-Return/Should-I-Include-a-Dependent-s-Income-on-My-Tax-Return-/INF22524.html). That may be more than many summer workers make, but there may be some situations in which filing a return is a good idea. One clear situation is if taxes were withheld from the summer employee’s pay and he or she is now due a tax refund. If a dependent files his or her own return, they don’t claim a personal exemption for themselves. Instead, the person claiming them as a dependent will also claim their personal exemption.

**Look for Your W-2**

By the end of January following the summer when the student worked, they’ll receive a Form W-2 from his or her employer. This form includes important information that they’ll use in filing a tax return.

**Your Local CPA Can Help**

A summer job is a great way to build up savings for college or other goals and to gain experience in the workforce. If your family has questions about taxes or any other financial topic, be sure to turn to your local CPA. He or she can address all your important financial concerns. And don’t forget to visit [360finlit.org](http://www.360financialliteracy.org/) for more information on managing your personal finances!