

Payroll Terms You Should Know

Understanding payroll terms is crucial for businesses to manage their payroll processes effectively and ensure compliance with regulations. Here are some essential payroll terms to know:

- **Gross Pay:** Total earnings an employee receives before any deductions are made.
- **Net Pay:** The amount an employee takes home after all deductions have been subtracted from their gross pay.
- **Payroll Taxes:** Taxes that employers are required to withhold from employees' wages and pay on behalf of their employees.
- **Withholding:** Amounts taken out of an employee's paycheck for federal, state, and local taxes.
- **Pay Period:** The regular interval of time over which employee wages are calculated and paid (e.g., weekly, bi-weekly).
- **Direct Deposit:** Electronic transfer of an employee's paycheck directly into their bank account.
- **Pay Stub:** Document provided to employees detailing their gross pay, deductions, and net pay for a specific pay period.
- **Pay Rate:** The amount of money an employee is paid per hour, day, or other unit of time.
- **Piece Rate:** A method of pay where employees are compensated based on the number of items they produce or tasks they complete.
- **Overtime:** Additional pay for hours worked beyond the standard workweek, typically at a higher rate.
- **Wage Garnishment:** A court ordered deduction from an employee's wages to pay a debt or obligation.
- **Garnishment Fee:** An administrative fee charged by an employer for processing a wage garnishment.