

Discussion question

Finance



due: Discussion Questions: Question Most employees in the United s utilize the payroll withholding system to pay their taxes. The system makes it easier for employers and employees to keep track of their tax payments by setting aside a prearranged amount of money to cater for a variety of services provided by the government. Payroll withholding can be grouped into two categories: mandatory and voluntary. Mandatory payments include federal and state taxes, and any other deductions made ordered by the court. Social Security payments are also mandatory Voluntary withholdings include payments to insurers and contributions to a retirement benefits plan or a savings account. These are optional and vary depending on the terms agreed between the employee and the insurance company or bank.

Employers have to be aware of the amount they are required to withhold from each employee. According to the Internal Revenue Service (2015), employers determine the amount to withhold based on the employee's earnings and the information in the employee's W-4 form (Internal Revenue Service, para 5). The W-4 form is also referred to as the Employee's Withholding Allowance Certificate. It specifies the person's marital status and the withholding allowances they have, thus determining the amount to be withheld by the employer.

Question 2

The most common reason a company can choose to buy back bonds before their maturity period is due to declining interest rates because bond prices are usually inversely proportional to interest rates. The company may or may not benefit from this action depending on the terms agreed in the bond's indenture. For instance, the company can pay outstanding debts with a lower rate coupon issue after redeeming the bond. However, if the call price is very

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high, the company may be at a disadvantage; as they may be forced to pay more than if they waited for the bond to mature.

Work cited

Internal Revenue Service. " Tax Withholding" irs. gov. Internal Revenue Service, 2015. Web. 27 June, 2015. (<http://www.irs.gov/Individuals/Employees/Tax-Withholding>).