Methods for Calculating Gross Annual and Gross Monthly Income

HOURLY RATE

Formula for an hourly-rate wage earner:

Hourly Rate	X	**Hours Worked**	=	**Weekly Amount**
Weekly Amt.	X	**Weeks**	=	**Annual Income**
Annual Income	÷	**12 (months)**	=	**Per Month**

Example

Bob earns $8.35 an hour and works 38 hours a week. Using the above formula, his annual income is determined as follows:

Hourly Rate $8.35	X	**Hours Worked** 38	=	**Weekly Amount** $317.30
Weekly Amt. $317.30	X	**Weeks** 52	=	**Annual Income** $16,499.60
Annual Income $16,499.60	÷	**12 (months)** 12	=	**Per Month** $1,374.97

Sometimes a wage earner does not receive a paycheck once a week but rather on a different schedule or at different pay periods. To determine income for this type of wage earner, use the following formula(s):

BI-WEEKLY RATE

Formula for bi-weekly wage earner:

Gross Amt. per Period	X	# of Pay Periods	=	Annual Income

Annual Income	÷	12 (months)	=	Per Month

Example

Wesley earns $962.45 every two weeks. Using the above formula, his annual income is determined as follows:

Gross Amt. per Period	X	# of Pay Periods	=	Annual Income
$962.45		26		$25,023.70

Annual Income	÷	12 (months)	=	Per Month
$25,023.70		12		$2,085.31

BI-MONTHLY RATE

Formula for bi-monthly wage earner:

Gross Amt. per Period	X	# of Pay Periods	=	Annual Income

Annual Income	÷	12 (months)	=	Per Month

Example

Darla earns gross pay in the amount of $950.00 twice a month. Using the above formula, her annual income is determined as follows:

Gross Amt. per Period	X	# of Pay Periods	=	Annual Income
$950.00		24		$18,000

Annual Income	÷	12 (months)	=	Per Month
$18,000		12		$1,500

Income Averaging

Some employees earn an hourly rate but work a different number of hours per week and therefore are required to submit pay stubs as proof of income. If you use this form of income verification, each client should submit at least four consecutive pay stubs from the most recent month(s) that precede the time that verification is being completed.

Because gross pay will differ from week to week, you must determine what an average week's pay will be to project their gross annual income. To determine income for this type of wage earner, use the following formula:

Step 1
List the gross income earned for each pay stub submitted noting the date and amount earned each week. Add the weekly amounts to obtain the sum. See below:

Step 2
Divide the total amount by the number of stubs to get the average:

Total /divided by number of stubs = average weekly rate

Step 3
Multiply the average weekly rate x 52 weeks to get the projected annual income.

Step 4
Divide the projected annual rate by 12 months to get the projected monthly amount.

Example
Jody works at Walmart and her hours vary from week to week. She submitted the following four consecutive pay stubs as income verification.

Step 1

Week Ending Date	Amount
10/03	$214.50
10/10	$215.25
10/17	$188.50
10/24	$253.50
Total	**$871.75**

Step 2
$871.75 / 4 [stubs] = $217.94 [average weekly rate]

Step 3
$217.94 [average weekly rate] x 52 [weeks] = $11,332.88 [projected annual income]

Step 4
$11,332.88 / 12 [months] = $944.41 [projected monthly income]

KNOWLEDGE CHECK 1

Calculating Income

Using the space provided below each question, complete the calculation(s) for the problems listed using the appropriate procedure.

1. Jackson's gross earnings of $1051.58 are paid to him twice a month. Calculate his annual income and monthly income.

2. Jean works at the Tribal Health Center as a record specialist and earns $10.25 an hour for a 40 hour workweek. Calculate her annual gross income and monthly income.

3. Sally works at the Tribal Day Care Center and is paid $10.25 per hour. Because her hours vary from week to week, she submitted the following four pay stubs for the month of June. For the week ending June 6 – $260.18, June 13 – $300.80, June 20 – $266.95 and June 27 – $283.88. Calculate Sally's annual income and projected monthly income.

4. Tom works as a seasonal construction worker for the Nez Perce Tribal Housing Authority. The season begins on April 1 and runs until October 31 each year, which is approximately 32 weeks. He is paid $12.10 an hour for a 40-hour workweek. For the remaining 20 weeks he also receives $280.00 per week from unemployment. Calculate Tom's annual income and monthly income.

5. Marianne works for the Idaho State Department of Transportation and earns a gross amount of $1262.20 every pay period. She is paid on a bi-weekly basis. Calculate her annual income and monthly income.

6. Barbara works part time as a cashier at the local 7-Eleven in Lewiston. She earns $10.00 an hour and works 20 hours a week. She also works three evenings a week at the Tribal Bingo Hall. She earns $10.75 an hour and works five hours per evening. Calculate Barbara's total annual income and monthly income.

7. Valerie is on call to work at a local Nursing Facility. She submitted the following pay stubs for verification: January 3 – $235.20, January 10 – $249.90, January 17, 1999 – $279.30, January 24, 1999 – $264.60 and January 31, 1999 – $294.00. Determine Valerie's expected annual income and her projected monthly income.

8. Sam earns $520.00 a week in gross earnings but receives his paycheck every other week. Calculate his annual gross income and monthly income.