



Medical Resident FICA Refund Claims Questions and Answers

I. Background

What are FICA taxes?

FICA stands for the Federal Insurance Contributions Act. FICA taxes consist of two separate taxes, social security and Medicare taxes that are paid on wages earned for services performed. Employers withhold and pay their employees' share of the FICA taxes and also pay the employer share, each of which is tracked separately by the IRS.

Why are FICA refunds being paid to medical residents and their employers?

Beginning in 1990's, medical school employers and former residents began filing FICA refund claims based on their position that medical residents are students eligible for the FICA tax exception under Internal Revenue Code section 3121(b)(10). This code refers to as the *student exception* and may apply to a student at a school, college or university who is also an employee of that school, college or university. The IRS held the claims in suspense because there was a dispute as to whether the student FICA exception applied to medical school residents. Then on March 2, 2010 the IRS made an administrative determination that medical residents were exempted from FICA taxes for tax periods ending before April 1, 2005. After April 1, 2005, new IRS regulations went into effect excluding residents from the student exception. However, IRS allowed employers and residents to proceed with previously filed claims for periods before April 1, 2005.

Why was FICA withheld from my check if the IRS says I should have been exempt as a medical resident?

Due to controversy surrounding these regulations and resulting litigation, employers were instructed to continue withholding FICA from Medical Resident (MR) stipends until the regulations and case law was settled. Please note that FICA withholding is required for tax periods after 3/31/2005 since the new regulations are contrary to the conceded position of the IRS.

Did the IRS require all medical schools to submit a refund claim?

No. Many medical schools did not participate and thus did not attempt to file on behalf of their residents.

II. Refund Process

What refund amount am I eligible for?

Your refund is calculated by the IRS and your eligibility was based on the following requirements:

- you must have been enrolled in a recognized residency program between January 1, 1996 and March 31, 2005,
- FICA taxes were withdrawn from your qualified earnings by your residency employer,
- A Medical Residents Consent was returned to your residency employer by October 15, 2010.

The refund amount is based on 1.45% of Medicare taxes deducted from resident's pay between the periods of January 1, 1996 and March 31, 2005.

Do all of my earnings qualify for a refund of FICA taxes?

Eligible compensation is income received for services performed as a medical resident and excludes compensation for services that were provided outside the scope of your residency (i.e. "moonlighting").

Are both Social Security and Medicare being refunded?

No, your refund amount **will only include the Medicare tax of 1.45% of qualified income plus statutory interest.** UMMS did not withhold Social Security taxes.

What did I have to do to receive a FICA refund through my residency employer?

During the summer of 2010, UMMS mailed consent letters to the last known addresses of residents who were employed by UMMS between January 1, 1996 and March 31, 2005. If those letters were returned as undeliverable, new addresses were obtained from Graduate Medical Education, alumni relations and any department that responded to requests for updated addresses. If letters continued to be returned as undeliverable, attempts were made to find alternative addresses through publically available physician directories or medical association membership lists. In order to be included in employer filed FICA refund claim, your complete Medical Resident Consent Form must have been received by October 15, 2010.

Can a FICA refund claim still be filed for periods before April 1, 2005?

No. All properly and timely submitted refund claims have already been submitted for payment. The deadline for submitting claims, which was established by federal law and enforced by the IRS, has expired.

Can I appeal the decision that new claims cannot be filed?

The time period for filing a refund claim is set by the IRS and has been enforced by the IRS. The IRS has informed UMMS that it shall not accept additional residents under the employer claim.

Can I claim a refund on my own for the years that my institution did not file a protective claim?

If you filed a refund claim with the IRS, you should contact the IRS to pursue your refund claim. If you have not yet filed a refund claim with the IRS and your employer did not file a protective claim, you most likely will be prohibited from pursuing any refund of the FICA taxes withheld and paid on your behalf because the time period for filing an individual claim for refund with the IRS for the Eligible Refund period has expired. Your FICA payments will remain in the Social Security system and determine your eligibility for future benefits. Consult your tax or financial advisor for advice concerning your unique situation.

Who should I contact if I filed individual MR claims for tax periods ending before 2005, but I have not received a letter from the IRS?

If you filed individual MR claims for tax periods ending before 2005, and you have not received a letter from the IRS, you should call the IRS at 800-919-1703 to get more information about your claim.

I did part of my training at another institution; can I get a refund for those years as well?

UMMS is only able to obtain a refund for the FICA withheld on eligible compensation paid by UMMS.

Memorial Health Care - Worcester filed a claim for residents prior to 1998 and have already received and distributed that refund. UMMS filed only for UMMS residents and if you received a check from Memorial Health Care - Worcester that refund is not related to those filed by UMMS.

When will I receive my refund?

The IRS is processing refunds to institutions in multiple payments. The first round of refunds was mailed out in November 2012. UMMS will issue refunds to all residents who (i) consented to the refund; (ii) timely submitted the refund claim; and (iii) were found by the IRS to be eligible. The refund check stub will indicate the portion of the refund that is actual Medicare tax withheld and the portion of the refund that is interest.

(If Applicable) If you were employed during the periods from September 1999 through June 2000, October 2000 through December 2000 or October 2001 through December 2001, you may receive a second check at a later date as the refunds for these periods are not yet complete.

What if I was not included in my employer's refund claim?

Some residents filed claims directly with the IRS. Others determined that the refund would have a negative impact on their future benefits and did not pursue a refund. Thus, UMMS was not allowed to file for any resident's share of FICA payments without an updated signed consent form. The IRS would not accept any consents signed prior to August 2010. Nor, would the IRS would accept additional residents to the UMMS employer claim after September 24, 2010. Therefore, UMMS can no longer file on your behalf. Your FICA payments will remain in the Social Security system and determine your eligibility for future benefits. Consult your tax and financial advisor for advice concerning your unique situation. Visit www.ssa.gov/myaccount to receive a record of your Social Security and FICA payment history and for guidance concerning future benefits.

III. Tax Implications

Is my refund taxable to me?

A refund of FICA is not considered taxable income, though it may adversely affect your future benefits under Medicare. The interest on the refund, however, is taxable income. For each of the years that you receive a refund, you will receive a W-2c, *Corrected Wage and Tax Statement*, reducing the Medicare wages and Medicare taxes reported for that year. On the enclosed refund check stub, it indicates the portion of the refund that is actual Medicare tax withheld and the portion of the refund that is interest. Accordingly, and as required by the IRS, UMMS will issue a Form 1099-INT for the year(s) in which you received the interest payment for any interest paid more than \$599. Please also note, even if you don't receive a 1099-INT, the interest portion of the refund is still taxable.

The above information is not tax advice. Each taxpayer's financial situation may be different. You should consult with your own tax advisor to discuss your personal tax treatment of the refund and the related interest payment.

IV. Contacts for More Information

I have questions, who should I contact?

If you have questions, you may:

- Click on [IRS Q&A About FICA Refund](#) or [Social Security Administration](#) for FICA program and/or payments; IRS rulings/processing of FICA Refund Claim
- Contact the SSA at 800-772-1213 for Medicare FICA Tax and Social Security benefits questions
- Contact your tax advisor for specific questions regarding your personal tax situation.
- Contact UMMS at **508-856-1105** or you may email your questions to fica.refundclaims@umassmed.edu for questions concerning the UMMS claim