

Frequently Asked Questions Regarding Medical Resident FICA Tax Refunds

IRS Announcement

IRS To Honor Medical Resident FICA Refund Claims

IR-2010-25, March 2, 2010

WASHINGTON — The Internal Revenue Service has made an administrative determination to accept the position that medical residents are exempted? from FICA taxes based on the student exception for tax periods ending before April 1, 2005, when new IRS regulations went into effect.

The IRS will, within 90 days, begin contacting hospitals, universities and medical residents who filed FICA (Social Security and Medicare tax) refund claims for these periods with more information and procedures. Employers and individuals with pending claims do not need to take any action at this time.

For more information, call 1-800-919-1703 or visit www.irs.gov/charities and click on Medical Resident FICA Refund Claims. Taxpayers with currently pending suits should contact the Department of Justice attorney assigned to the case.

What does the IRS Announcement mean to me?

On March 2, 2010, the IRS announced that it had made an administrative determination to accept the position that medical residents are exempted from FICA taxes based on the student exception for tax periods ending before April 1, 2005, when new IRS regulations went into effect. This announcement means that the IRS will provide a refund of the FICA taxes for individual medical residents and institutions that timely filed refund claims for tax periods ending before April 1, 2005.

Since the announcement from IRS on March 2, 2010, Texas Tech University Health Science Center filed a Protective Claim for all open periods beginning with calendar year 2006 through current filing period to ensure eligibility for future refunds should the IRS accept the position that medical residents should be included in the student FICA tax exemption during time periods subsequent to April 1, 2005.

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

Employers (typically hospitals and medical schools) and individual taxpayers (medical residents) began filing FICA refund claims in the 1990's, based on their position that medical residents are students eligible for the FICA tax exception under Internal Revenue Code section 3121(b)(10). This is referred 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 employer's FICA refund claims were for both the employer share and the employee share of the FICA tax. In some cases, individual medical residents filed their own claim for the employee share of the FICA tax. The IRS held the claims in suspense because there was a dispute as to whether the student FICA exception applied. The IRS has made an administrative determination to accept the position that medical residents are excepted from FICA taxes for tax periods ending before April 1, 2005, when new IRS went into effect

Who is eligible to receive a refund?

Institutions that employed medical residents and individual medical residents are eligible to receive refunds if they are covered by timely filed FICA refund claims. Institutions can be covered under FICA refund claims they filed themselves. Individual medical residents can be covered under FICA refund claims they filed themselves or under claims filed by the institutions that employed them. These refund claims are subject to the same requirements that apply to all FICA refund claims including verification by the IRS of the amount of the claim and payment of interest.

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

Based on IRS guidelines, No. The period of limitations for filing a claim for tax periods before April 1, 2005 has expired. If you are or were a medical resident, and you did not file an individual FICA refund claim, you may be covered by a FICA refund claim filed by your employer for the period you were a medical resident. You would need to contact your employer (or former employer) to see if they filed a FICA refund claim.

Can I still apply for a FICA tax refund for tax periods prior to April 1, 2005?

Based on IRS guidelines, unless you previously timely filed an individual FICA tax refund claim on your own, the statute of limitations has expired for FICA tax refunds for tax periods prior to April 1, 2005. Additional information about the refund process can be obtained from the IRS publication 556: <http://www.irs.gov/pub/irs-pdf/p556.pdf>.

You should consult your tax professional if you have further questions regarding this issue.

Has the IRS sent information to medical residents who filed individual MR claims?

Yes. The IRS began mailing Letter 4610, *Medical Resident FICA Refund Claims, Employee Notification*, at the end of July 2010.

If I receive a FICA tax refund, how does this affect my eligibility for and calculation of social security benefits?

Your eligibility for and calculation of social security benefits (either current or future) may be affected in the event of a refund, depending on your personal circumstances. If you consent to the refund claim, you will be issued a Form W-2c which will reflect a reduction in your earnings for social security benefits purposes. Whether social security benefits that you are receiving currently or in the future are impacted by a reduction of wage credits as a result of the refund will depend on your particular facts and circumstances. You should contact your local Social Security Administration office with any questions regarding your particular situation.

I was a medical resident during YYYY thru YYYYY. Am I eligible for the FICA Refund?

Texas Tech University Health Science Center did not file protective FICA refund claims for time period covered by the current IRS determination. Texas Tech University Health Science Center did file a Protective Claim for calendar years 2006-2010 and will be protecting all future years to ensure eligibility should the IRS accept the position that medical residents should be included in the student FICA tax exception during time periods after 1st quarter 2005.

What is the significance of April 1, 2005?

On April 1, 2005, new regulations regarding the student FICA exception became effective. One part of these regulations states that an employee who works 40 hours or more (full-time employee) for a school, college or university is not eligible for the student exception. This part of the regulations excludes medical residents from the student exception.

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 did not receive a letter from the IRS by August 16, 2010, send a copy of your original claim, proof of timely mailing, and Form 2848, *Power of Attorney and*

Declaration of Representative (if you want to authorize an individual to represent you with respect to your medical resident claims) to:

Internal Revenue Service
P.O. Box 12220
Ogden, UT 84412

If you prefer, you can fax the information to 801-620-3113. Be sure to include a telephone number and the best time to call.

Who should I contact at Texas Tech Health Sciences Center if I have more questions?

You can contact Babar Khan at babar.khan@ttu.edu