

## **General Information - FICA Tax Refund Claims**

### **For Medical Residents Who Trained at Barnes Hospital, Jewish Hospital, or Barnes-Jewish Hospital in Affiliation With Washington University School of Medicine Between January 1, 1995 and March 31, 2005**

Please submit any questions to [FICAREfund@bjc.org](mailto:FICAREfund@bjc.org)

Many inquiries have been received from former medical residents on how to receive a refund of FICA taxes paid during residency. If you were a medical resident on the Barnes Hospital, Jewish Hospital, or Barnes-Jewish Hospital payroll between January 1, 1995 and March 31, 2005, you may be eligible for a refund of FICA taxes withheld from your stipends during those periods.

#### **Background**

FICA taxes are imposed on wages received by individuals with respect to employment. Section 3121(b)(10) of the Internal Revenue Code provides an exception from FICA tax liability for certain payments made to students as employees. This is referred to as the *student exception*.

A dispute over the tax status of medical residents goes back to a 1998 opinion by the 8<sup>th</sup> U.S. Circuit Court of Appeals. The court held that stipends paid to University of Minnesota medical residents were not subject to FICA tax as a result of the student exception. This opinion inspired academic medical centers across the country to file claims for refunds.

On March 2, 2010, the Internal Revenue Service (IRS) made an administrative determination to accept the position that medical residents are exempt from FICA taxes based on the student exception for tax periods ending before April 1, 2005. On April 1, 2005, new regulations regarding the student FICA exception went into effect.

Institutions that employed medical residents are eligible to receive refunds if they are covered by timely filed FICA refund claims. Barnes-Jewish Hospital (BJH) has been filing timely claims on behalf of our former residents for many years. Our claims cover the period January 1, 1995 through March 31, 2005.

#### **BJH FICA Tax Refund Claims and Instructions for Former Medical Residents**

BJH filed, by the appropriate IRS deadlines, “protective” refund claims. We will soon be “perfecting” those claims in accordance with IRS rules and procedures. The applicable refund procedures allow BJH, with your consent, to file for a refund on your behalf for your share of the refundable FICA taxes, including interest. In order to participate in any FICA refund proceedings, former medical residents must provide written consent. BJH is in the process of mailing consent letters and forms to all individuals eligible for refunds. It is

extremely important that we have your current mailing address and are provided all address changes during a potentially lengthy refund process. Please take the time now to confirm that BJH has your correct current address. Address information may be emailed to [FICARefund@bjc.org](mailto:FICARefund@bjc.org).

You are under no obligation to consent to a refund of your share of FICA taxes. However, if you do not give your consent, it may not be possible for you to seek a refund on your own behalf because of the expiration of the statute of limitations regarding submitting refund claims (e.g., claims for the taxable period ending March 31, 2005 must have been timely filed by April 15, 2009). You should consult a tax professional if you have further questions regarding this issue.

If you consent, Barnes-Jewish Hospital will file a refund claim on your behalf. Whether or not BJH actually obtains a refund depends upon whether our claims are approved by the IRS. Such approval is contingent upon a number of factors, and it is possible that the claims may be partially denied by the IRS. But if the IRS approves the refund and makes payments to Barnes-Jewish Hospital, we will send you a check for your portion of the FICA tax refund approved by the IRS, plus statutory interest, to the address indicated on your returned consent form. The FICA tax refund itself is not taxable; however, the interest on the refund is taxable to you. Barnes-Jewish Hospital is required to file Form 1099-INT with the IRS and furnish a copy to you only if we pay you interest of \$600 or more in a calendar year. If you have a foreign address, the interest will be reported on IRS Form 1042-S and will be subject to 30% statutory withholding. You are responsible for reporting any interest paid to you on your federal tax return for the year in which you receive payment. We expect that the refund process will take many months to work through the IRS and for checks to be issued. This process may take more than a year to resolve.

In addition, if you consent, Barnes-Jewish Hospital will file Form W-2c, *Corrected Wage and Tax Statement*, with Social Security Administration (SSA), and furnish a copy to you for each tax year for which you receive a refund of FICA taxes. In most cases, Form W-2c will show a reduction in your earnings for social security coverage purposes in an amount equal to all the wages you were paid for services performed as a medical resident. Social security benefits are based on your earnings over your working lifetime. Accordingly, based on your personal circumstances, a refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. Again, please consult a tax professional if you have further questions regarding this issue.

If you have questions, please email them to [FICARefund@bjc.org](mailto:FICARefund@bjc.org). Your inquiry will be answered by email as soon as possible.