

FICA Refunds for Medical Residents

The University of Texas System ("UT System") filed a claim for refund for each of its Graduate Medical Education ("GME") programs in 2008 with the Internal Revenue Service (IRS) for FICA taxes paid by medical residents during calendar year 2005. After several months elapsed and it became apparent that the IRS was not going to allow these refund claims, and instead would disallow and challenge the Medical Resident FICA issue in federal court, the UT System filed a lawsuit in U.S. District Court on September 9, 2009. The UT System filed suit on behalf of its medical institutions to bring this issue to the fore and in an attempt to have the FICA taxes refunded for medical residents.

Subsequent to filing the lawsuit, the IRS announced on March 2, 2010 that it had made an administrative determination to allow refunds for medical resident FICA taxes paid for periods ending before April 1, 2005. Thus, medical residents who were enrolled in a UT System GME program during the period January 1 through March 31, 2005 and paid FICA tax should be entitled to a refund. But since this period is included in the UT System lawsuit, the process for obtaining the refund is different than if no lawsuit had been filed. The UT System is working with the Department of Justice to secure a refund for this period. As soon as this refund is received by UT System for this period, steps will be taken to issue a tax refund, plus interest, to each medical resident enrolled in GME between January 1, 2005 and March 31, 2005.

The IRS FAQ on FICA Refunds may be found at:
<http://www.irs.gov/charities/article/0,,id=219547,00.html>

Protective claims were not filed for periods prior to January 1, 2005, since the applicable statute of limitations for filing refund claims had expired; thus no refunds for periods prior to January 1, 2005 are anticipated. However, protective claims have been filed for periods subsequent to March 31, 2005 despite the IRS' position that medical residents are not entitled to any FICA refund for periods after that date.

UT System FAQ's:

1. As a former or current resident/fellow of a UT System GME program, am I entitled to a FICA tax refund?

The UT System filed protective claims for FICA refunds dating back to January 1, 2005 (the statute of limitations expired for periods prior to that date). This, coupled with the recent IRS administrative determination referenced above, should result in a refund for all medical residents that paid FICA tax and participated in UT System GME programs during the period January 1, 2005 – March 31, 2005.

In addition, protective claims have been filed for the period April 1 – December 31, 2005 and calendar years 2006-2009. Refund claims for calendar year 2010 and beyond will be filed as well.

2. If I am entitled to a FICA tax refund, when can I expect to receive my share of any refund?

Although UT System does not control the timeline, it is working with the Department of Justice and the IRS to secure any refund due. The specifics have not been worked out as of the present, although it is anticipated that the IRS will issue a single payment to the UT System. Once this amount is obtained, each GME program will issue checks payable to its medical residents for their portion of the refund plus applicable federal interest. Every effort will be made to execute this plan in a timely manner.

3. Will FICA taxes continue to be withheld from my paycheck?

Yes, FICA taxes will continue to be withheld from all payroll checks because of the IRS position that medical residents are ineligible for FICA tax exclusion.

4. Do I need to do anything at this time?

Yes, send an email with your current mailing address to the UT System GME office responsible for your medical residency program. The email addresses for these programs are:

1. The University of Texas Medical Branch at Galveston – lccapoy@utmb.edu
2. The University of Texas Health Science Center Houston (The UT System Medical Foundation) - ms.medfoundation@uth.tmc.edu
3. The University of Texas Health Science Center San Antonio - medresidents@uthscsa.edu
4. The University of Texas Health Science Center Tyler - medresidents@uthct.edu
5. The University of Texas MD Anderson Cancer Center - payrollservices@mdanderson.org
6. The University of Texas Southwestern Medical Center – residentFICA@utsouthwestern.edu