



HealthCareAlert

Health Care Tax alert

March 8, 2010

IRS Will Allow Medical Residents' Exception for FICA Taxes for Pre-April 2005 Claims

The Internal Revenue Service (IRS) has made an administrative determination to allow medical residents to be exempted from Federal Insurance Contributions Act (FICA) taxes under the student exception for tax periods ending before April 1, 2005. On April 1, 2005 the IRS issued new rules no longer allowing the exception.

The IRS notes that *institutions that employed medical residents and individual medical residents* are eligible to receive refunds **if they filed timely 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.

In its March 2nd [statement](#) the IRS said it will begin contacting hospitals, universities, and medical residents who filed FICA refund claims for these periods with more information and procedures within 90 days. Employers and those with pending claims do not have to take any action at this time. The IRS will send each employer and individual medical resident who filed a FICA refund claim, information within the next 90 days. This information will explain the necessary steps to receive a refund.

To understand more about how this new IRS development may impact your organization, contact Anne McGeorge, National Managing Partner, Health Care Industry at 704-632-3520 or Anne.McGeorge@gt.com

WashingtonAlert is published by Grant Thornton LLP. It is not intended to answer specific questions or suggest suitability of action in a particular case. For additional information on the issues discussed in the newsletter, consult your Grant Thornton client-service partner.

Grant Thornton LLP is the U.S. member firm of Grant Thornton International, one of the six global accounting, tax and business advisory organizations. Through member firms in 110 countries, including 50 offices in the United States, the partners and employees of Grant Thornton member firms provide personalized attention and the highest quality service to public and private clients around the globe. Visit Grant Thornton LLP at www.GrantThornton.com.