



## Withholding of Federal Insurance Contributions Act (FICA) Taxes for Student Employees Policy

Effective Date: February 26, 1996

Approval: June 28, 2016

Maintenance of Policy: Vice President for Finance and Administrative Services and University Controller

**PURPOSE:** This policy provides an overall framework for the University's withholding of FICA taxes on student employees.

**SCOPE:** This policy applies to all student employees of the University, including the Research Institute.

### DEFINITIONS:

<b>Undergraduate</b>	<b>Students, Half-time Status</b>
September & January Terms	6 credit hours
May & June Terms	3 credit hours
<b>Graduate Students</b>	
September & January Terms	3 credit hours
May & June Terms	1.5 credit hours

### APPLICABLE REGULATIONS

1. 26 CFR Section 31.3121(b)(10)

### POLICY:

The Internal Revenue Service has established rules which require FICA taxes to be withheld on all employees. However, Section 3121 (b)(10) provides an exemption for students enrolled at least half time and regularly attending classes at the school, college or university by which he/she is employed. The IRS has ruled that the determination of a student's exemption must be on a case-by-case and term-by-term basis. This determination is made whether a student's employment is incident to the course of study and whether the student is, at the time of employment, at least a half-time student. While IRS interpretation is not established by regulation, the IRS has recommended that any student who carries 6 or more credit hours and is employed fewer than 20 hours per week should be granted relief from FICA tax.

The University will comply with all IRS guidelines and service policies and will follow these policies to every extent practical.

### POLICY HISTORY:

Approved as amended  
June 28, 2016

Approved as amended  
July 24, 2000

Approved in original form  
February 26, 1996

### Withholding of FICA Taxes for Student Employees Appendix A: Procedure

In order to comply with IRS requirements regarding withholding of FICA taxes for student employees, the following guidelines have been established:

The University will withhold FICA tax from all students, graduate or undergraduate, who are not attending class on at least a half time basis at the time of their employment.

The University determines if a student is at least a half time student by comparing its student registration and payroll records. This comparison is performed at the time of the June 10, July 25, September 25 and January 25 pays to determine a student's status for that particular term. New student employees added to payroll after these dates are compared against registration on the pay they are added. Once the determination is made, the students remain in this status the entire term.

If a student's status changes because of "adds or drops" occurring later in the term, and the student wishes to appeal the FICA tax withholding, the student should appeal through the Payroll Office. Payroll will provide the student with a form which must be verified by the Registrar.