MUSC is receiving inquiries from former medical residents asking whether MUSC filed protective refund claims with the Internal Revenue Service (IRS) for itself and on behalf of the residents.

Hospitals, medical schools, and individual medical residents began filing FICA refund claims in the late 1990’s in response to an 8th Circuit Court of Appeals ruling that held medical residents were students eligible for the FICA tax exemption under Internal Revenue Code section 3121(b)(10) (Minnesota v. Apfel, 8th Cir. 1998). Based on this ruling, the University filed its first refund claim in 2000 for calendar year 1996 and has subsequently filed a claim with the IRS every year prior to the expiration of the statute of limitations.

On March 2, 2010, the Internal Revenue Service (IRS) announced that it will refund the employer and employee portion of FICA taxes paid for medical residents prior to April 1, 2005, so long as the employer previously filed a timely refund claim with the IRS. MUSC took the initiative to file protective refund claims for calendar years ranging from 1996 through the first quarter of 2005 (1Q/2005) on behalf of itself and its consenting medical residents. Therefore, applicable FICA taxes paid during calendar years 1996 – 1Q/2005 were eligible for refunds. The period of limitations for filing a claim for tax periods before April 1, 2005 has now expired.

On January 11, 2011, the United States Supreme Court ruled unanimously in Mayo Foundation for Medical Education and Research et al v. United States (107 AFTR 2d 2011-341) by upholding the IRS regulations issued in 2005, and stated that medical residents, as full-time employees of the hospitals at which they work, are ineligible for the IRC section 3121(b)(10) student FICA exemption. Thus, medical residents were ineligible for this exemption after April 1, 2005.