

Employment Questions

- 1. If a career employee enrolls in classes at the university, can the employee become exempt from FICA if s/he is taking the minimum required course load?**
No. The only exception would be, if a career employee has a bona fide break in service and is rehired as a Temporary employee or student academic employee at no more than 0.80 FTE, the employee may become exempt from FICA if s/he is taking the minimum required course load.
- 2. If a student is employed on one USF campus and attending classes on another USF campus, is the student eligible for the FICA exception?**
Yes. Such a student will qualify for the FICA exception if s/he is taking the required credit hours and provides the Employment Center with proof of registration at the location s/he is taking classes. If the minimum number of credit hours required for the exception differs at the two locations, the minimum number of units required by the employing campus will be applicable.
- 3. Is a student employed by USF entitled to the FICA exemption if they are attending classes at another university or college?**
No. The IRS regulations provide that the exception from FICA applies only to an employee who is enrolled and regularly attending classes at the same school, college, or university at which s/he is employed.
- 4. Will students with F-1 or J-1 visas who are nonresident aliens still be exempt from FICA?**
Yes. Nonresident alien employees with F-1 or J-1 visas are exempt from FICA, regardless of their course load. See the *Student FICA Guidelines* for the applicable rules.

Appointment Questions

- 1. Will only active appointments with pay be considered in determining whether a student's total appointment percentage exceeds the 0.80 FTE threshold?**
Yes. An active appointment is an appointment with a begin date that occurs on or before the current date, and with an end date that occurs on or after the current date. Inactive (expired or future appointments), without salary appointments, or by agreement appointments will not be considered in determining whether a student's total appointment percentage equals or exceeds the 0.80 FTE threshold.
- 2. What will happen if a future appointment causes a student's total appointment percentage to exceed the 0.80 FTE threshold in the middle of the semester?**
The student will not be eligible for FICA Tax Exemption once the new appointment commences. University Payroll audits the bi-weekly payroll for multiple appointments.

For example: During the period 10/01 through 12/31, a student is employed as a Teaching Assistant (TA) at 0.50 FTE. In addition, the TA is approved for a 0.40 FTE Reader position from 11/15 through 12/31. The biweekly audit will reveal that the student's employment exceeds the threshold and the student's earnings for the rest of the academic semester will be subject to FICA taxes. (The student will be automatically enrolled in the Temporary Employee Retirement Plan.)
- 3. What will happen if a reduction in appointment causes a student's appointment percentage fall below the 0.80 FTE threshold in the middle of the semester?**
The student will be eligible for the FICA Tax Exemption once the reduction in appointment commences. University Payroll audits the bi-weekly payroll for reduced appointments.

For example: During the period 08/07 to 10/01, a student is employed as a Teaching Assistant (TA) at 0.50 FTE at department A as well as a Teaching Assistant at 0.30 FTE at department B, resulting in a total of 0.80 FTE. Beginning 10/02 the student no longer has concurrent jobs as a result of the job ending with department B. The biweekly audit will reveal that the student's

employment no longer exceeds the threshold and the student's earnings for the rest of the academic semester will be exempt from FICA taxes.

4. **How will a student's appointment be treated if the appointment percentage differs from the pay distribution percentage, e.g., the appointment is 0.60 FTE but the pay distribution equals 80%?**

The pay distribution percentage is not taken into account in calculating the total appointment percentage. Care should be taken, however, to assign the appointment and pay distribution percentages correctly.

5. **If a student has a 0.70 FTE appointment but works 0.85 FTE time or more, will the student be subject to FICA withholding?**

Maybe. University Payroll is responsible for auditing the student employment payroll on a bi-weekly basis to verify actual hours worked during a pay period. A payroll audit that results in a student employee whose actual time worked exceeds 0.80 FTE for two (2) or more consecutive pay periods will result in disqualification of the student from the FICA exemption for the remainder of the academic term.

6. **If a student who has a 0.50 FTE appointment is scheduled to work 40 hours a week during an intercession period, should the department change the student's appointment percentage during this period?**

No. The student is eligible for the exception during term breaks of 5 weeks or less, regardless of the number of hours worked. Thus, for such breaks it would not be necessary to change the appointment percentage.

7. **A student employee who currently is subject to FICA withholding submits time for a prior month in which s/he was not subject to withholding. Will the student be subject to FICA withholding on the late pay?**

Yes. When a student's enrollment hours change during a term, retroactive FICA tax charges or refunds will not be processed.

Course Load Questions

1. **Will a graduate student who has completed all required degree coursework and successfully passed qualifying exams be exempt from the credit requirement?**

Maybe. There is an exception for doctoral students who have completed course work, passed their preliminary exams, and are enrolled for at least 1 credit hour of dissertation or thesis credits to qualify for the exemption. In order to be eligible the student must complete a *GRA Full Time Status Exemption Form*.

2. **Will graduate students who are taking qualifying exams be eligible for the FICA exemption?**

Yes. Such graduate students are eligible for the exception if they are registered for the minimum number of credit hours.

FICA Withholding Questions

1. **How does FICA status affect the Temporary Employee Retirement Plan (TERP)?**

As long as the student employee is FICA exempt, they are not eligible to participate in TERP however if the exemption is lost they will be automatically enrolled in TERP. If a student is FICA subject, they will have 1.45% deducted for Medicare taxes and the 7.5% pre-tax deduction for TERP.

2. **Can a student request a distribution of the FICA withholding if they return to FICA exempt status?**

No. Under IRS regulations governing in-service distributions, an employee may not receive a distribution of their withholdings unless they separate from service. Thus, any employee who returns to exempt status without a break in service is not entitled to receive a refund.

Under USF policy, retroactive FICA tax charges or refunds will not be processed.

3. What is Medicare?

Medicare is the Federal health insurance program administered by the Social Security Administration. The program is designed for individuals entitled to Social Security who are age 65 or older (although younger individuals can also qualify, e.g., those receiving Social Security disability benefits).

4. What is TERP?

The Temporary Employee Retirement Plan or TERP is a defined contribution plan authorized under Section 401(a) of the Internal Revenue Code. BENCOR, Inc. is the plan administrator for the University of South Florida. U.S. Bank is the trustee and handles all deposits into and distributions of the plan for the University and BENCOR. (See FIND IT.)

5. What will happen if a student employee is subject to FICA withholding but no withholding occurred? Will the student be subject to a retroactive adjustment?

In general, adjustments related to course load changes will be made only on a prospective basis; however, retroactive adjustments may be made to correct administrative errors, e.g., a change to correct the Student Job Code.

The university is liable for both the employer and employee share of Medicare and is responsible for making adjustments to correct errors for any pay period that falls within the statute of limitations for FICA adjustments (i.e., 3 years, 3 months, and 15 days after the year in which the error occurred).

6. Who should the employee contact if s/he feels FICA withholding was withheld (or not withheld) due to an administrative error?

The employee should contact their hiring manager who will then follow-up with University Payroll to correct the error.

7. Does the FICA exception apply during intersession breaks?

Yes. The exception continues during normal school breaks of 5 weeks or less provided the student is otherwise eligible for the exception on the last day of classes preceding the break and is eligible to enroll in classes in the academic term following the break.