



November 15, 2010

RE: Refund Claim of FICA Taxes Paid During Your Medical Residency

Dear Former Resident:

I hope this letter finds you well both personally and professionally.

The University of Rochester is in the process of recovering refunds of the FICA taxes it paid on wages you earned during your medical residency. As a courtesy, you have the option of joining the refund claim and receiving a refund of the FICA taxes you paid on those wages. However, in order for you to join the claim, we **must** have a signed consent form from you.

A consent package was mailed to you by Deloitte Tax LLP on August 24th, 2010 with a due date of October 15th 2010. If you have not received a consent package, or may have discarded the one you received, a copy of the consent package previously provided is enclosed.

Deloitte's Contact Information:

- Email at: URFICA@deloitte.com
- Fax at: 585-295-5900

You may also download a consent package from the Medical Center's website at:
<http://www.urmc.rochester.edu/education/graduate-medical-education/fica.cfm>

I encourage you to review the information contained in the consent package carefully and return your consent form to Deloitte for processing as soon as possible. We will allow an additional 15 days, until November 30, 2010, for you to return your completed consent.

Best Regards,

A handwritten signature in black ink, appearing to read 'Diane M. Hartmann', with a long horizontal flourish extending to the right.

Diane M. Hartmann, MD
Senior Associate Dean for Graduate Medical Education

**THIS IS A TIME SENSITIVE DOCUMENT
YOU MUST RESPOND BY November 30, 2010**

Re: Medical Resident FICA Refund Claims

Dear Former Resident,

This letter includes important information about certain taxes you paid during your medical residency, which may be refundable to you should you choose to participate in the refund claims filed by our client, the University of Rochester. To participate in the refund claims, you must take timely actions outlined in this letter. If you choose to take no action, taxes paid by you will not be refunded under these claims.

As you may know, the University of Rochester filed claims for refund of Social Security and Medicare taxes paid on wages earned for services performed by medical residents for certain tax periods ending before April 1, 2005. These taxes are Federal Insurance Contributions Act (FICA) taxes and the claims are referred to as Medical Resident FICA Refund Claims ("MR claims"). A portion of these taxes was paid by the University; another portion was deducted from your paycheck and paid by the University on your behalf.

On March 2, 2010, the IRS announced it would honor MR claims for periods before April 1, 2005, and created a process to claim the refunds.¹ After we perfect those MR claim(s), the IRS will verify the amount of the MR claim(s) and begin issuing refunds plus statutory interest. However, we cannot receive a refund of the FICA taxes that were withheld and paid on your behalf unless we have your written consent. If you do not consent to have the University of Rochester obtain your refund, you may be precluded from receiving any refund of the FICA taxes withheld and paid on your behalf because the time period for filing an individual claim for refund with the IRS may have expired.

If you consent, the University of Rochester will pay you your portion of the FICA tax refund and statutory interest it receives on your behalf from the IRS. Such receipt and distribution is anticipated to take several months or more (perhaps a year or more) as the University of Rochester must prepare the documentation required by the IRS with respect to those claims and the IRS will review the submission before the claim is processed for refund. The FICA tax refund is not taxable; however, any interest paid on the refund is taxable to you.²

Please note that not every medical resident will be eligible to participate in the refund process. If you have already claimed and received a refund or credit for FICA taxes that were withheld from medical resident wages, or if you filed an individual refund claim for FICA taxes and that claim is still pending with the IRS, then we will not be able to file your MR claim for the year(s) that you received a refund or credit or have a pending refund claim. This restriction does not apply if you filed a refund claim and it was rejected by the IRS. If we can file your MR claims for some years but not others, check your consent form as "Yes" for the years you are eligible and leave blank any years for which you are not eligible. If you consent to be part of the University of Rochester MR claim(s) and the IRS determines that you are ineligible for a refund because you already received a refund based on an individual claim you filed, the IRS will not refund your share to us and this information may be disclosed to us.

You should also be aware that claiming a refund may affect your earnings for Social Security purposes. If you consent to participate in the MR claim(s), the University of Rochester will file Form W-2c, *Corrected Wage and Tax Statement*, with the Social Security Administration (SSA), and furnish a copy to you for each tax year for which you receive a refund of FICA taxes. In most cases, Form W-2c will show a reduction in your earnings for Social Security coverage purposes in an amount equal to all the wages you were paid for services performed as a medical resident.

¹ The University also filed refund claims for the April 1, 2005 to December 31, 2009 tax periods. Those refund claims are not part of the current settlement process.

² If the University pays you interest of \$600 or more in a calendar year, we will file Form 1099-INT with the IRS and furnish a copy to you. Whether or not you receive this form, any interest you receive, regardless of amount, is taxable to you.

Social Security benefits are based on your earnings over your working lifetime. Accordingly, based on your personal circumstances, a refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you want information about the effect on your Social Security benefits, you should contact SSA directly at 1-800-772-1213 (toll free). If you call or visit a Social Security office, please have this letter with you. It will help SSA answer your questions. You might want to review your Social Security record before and after your refund has been processed. You can use your current Social Security Statement or you can request a copy of your Social Security Statement at the following website:
<http://www.ssa.gov/mystatement>.

To consent to receive your share of the refund from the University of Rochester, you must complete the enclosed consent form and send it to the University of Rochester as indicated at the bottom of the consent form. Your consent form must be received no later than November 30, 2010 (THE "MAILING DEADLINE") to be considered timely.

You will receive an emailed confirmation of your consent within 3 business days of receipt. If you submit your consent via fax without an email address, then the reply will instead be sent to the fax number used to submit your consent.

Please submit your consent form only once. Do not send unsolicited duplicate consents. If you have not received your expected confirmation, you may send an inquiry via email to urfica@ame1mail.deloitteonline.com.

NAME CHANGE OR DEATH

If your name has changed since your residency, please provide legal documentation as to your name change (e.g. marriage certificate, divorce decree, etc.) with your signed consent form.

If you are the personal representative of a deceased resident, please provide a copy of the death certificate as well as legal documentation as to your authority to represent the estate of the deceased resident.

Please act IMMEDIATELY if you need to obtain this information from government records offices; requests for these kinds of documents often take several weeks or more to process.

DIRECT GENERAL QUESTIONS ON THIS INITIATIVE TO DELOITTE TAX LLP

Neither the University of Rochester, nor Deloitte Tax, can advise you whether or not you should consent to participate in the refund claim, nor can we provide you with tax, legal, accounting or financial advice. We encourage you to discuss questions about your particular situation with your tax preparer or other personal financial advisor.

As noted above, it is unclear how long it will take the IRS to refund FICA taxes to us. As a result, we do not know how long it will take for FICA refund payments to be made to consenting residents. This process may take several months, perhaps even more than a year. We thank you in advance for your patience as we finalize these refund claims.

For general updates, please visit the University's website at www.URMC.Rochester.edu. For general procedural questions on this initiative that are not answered through the enclosed frequently asked questions, you may contact Deloitte Tax LLP by email at urfica@ame1mail.deloitteonline.com.

ADDRESS UPDATES

If your address as shown on this consent letter is incorrect, please provide your current address on your returned consent form. If you move after your consent form is submitted, and before you receive a refund check, send address updates to Deloitte Tax LLP by email to urfica@ame1mail.deloitteonline.com.

Please note that keeping your address information current is your responsibility. Failure to provide your current address could result in delay of delivery of your refund check or return of your check as undeliverable. Remember that this refund process may take more than a year to resolve.

If you have any questions about this letter, please contact Deloitte Tax LLP at urfica@ame1mail.deloitteonline.com.

Very truly yours,

A handwritten signature in black ink, appearing to read "Thomas R. Kromer". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas R. Kromer, CPA
Tax Director

Enclosures

University of Rochester
**** CONSENT FORM – MEDICAL RESIDENT FICA TAX REFUND CLAIM ****

NAME: _____
ADDRESS: _____

My signature herewith affirms my acknowledgement and consent to participate in the refund claim for FICA taxes withheld from residency wages for the noted period during which I was enrolled in this medical residency program. Select **ONLY ONE** of the following:

I consent to the Social Security and Medicare tax (FICA) refund filed or to be filed on my behalf for **only noted years** indicated herein during which I was a resident. [Check the appropriate box(es), as applicable]

1995 <input type="checkbox"/>	1996 <input type="checkbox"/>	1997 <input type="checkbox"/>	1998 <input type="checkbox"/>	1999 <input type="checkbox"/>	
2000 <input type="checkbox"/>	2001 <input type="checkbox"/>	2002 <input type="checkbox"/>	2003 <input type="checkbox"/>	2004 <input type="checkbox"/>	2005 <input type="checkbox"/> [1 st quarter]

I do not consent.

For each year of consent, I represent that (1) I have not claimed and will not claim a refund or credit from the IRS for such over-collected FICA taxes from wages paid for my performance of services as a medical resident, or, if I have, that claim has been rejected, (2) I did not receive a FICA tax refund or credit, due to earnings in excess of the Social Security wage based on my Federal Income Tax return (e.g. Form 1040), and (3) I understand that my Social Security earnings record will be corrected to reflect reduced wages as a medical resident for tax years for which I receive a refund. I understand that removing these wages could affect my eligibility for, or the amount of, future Social Security benefits.

Date

Signature

Social Security Number (**required**)

Daytime phone number (if we have questions)

Email address (required for confirmation)

MUST BE SENT BY E-MAIL OR FAX, OR BE POSTMARKED NOVEMBER 30, 2010.

Please keep a copy of your signed consent form for your records. Return your signed consent form, along with any required legal documentation for name changes or death, using one of the options below:

- Email at urfica@ame1mail.deloitteonline.com
- Fax at: 1-585-295-5900

NOTE: If your address as shown on this Consent Form is not current, provide your correct current address with this consent form. If you move after your consent form is submitted, and before you receive a refund check, such address corrections should be directed to Deloitte Tax LLP by email to urfica@ame1mail.deloitteonline.com.

University of Rochester
Frequently Asked Questions
About Medical Resident FICA Refund Claims

I. General Information

1. Who is Deloitte Tax LLP?

Deloitte Tax LLP is a professional service provider that is assisting the University of Rochester with the medical resident FICA refund claim process. Much of the official correspondence from University of Rochester to you, and from you to University of Rochester related to this claim will be handled by and through Deloitte Tax LLP.

2. What are FICA taxes?

FICA stands for the Federal Insurance Contributions Act. FICA taxes consist of two separate taxes, Social Security and Medicare taxes that are paid on wages earned for services performed. Employers withhold and pay their employees' share of the FICA taxes and also pay the employer share.

3. Why are FICA refunds being paid to medical residents and their employers?

After a 1998 court decision held that University of Minnesota medical residents were excepted from FICA tax as *students* under Internal Revenue Code section 3121(b)(10) (the *student exception*), some employers (typically hospitals and medical schools) and individual taxpayers (medical residents) began filing FICA refund claims. The University of Rochester filed its first refund claims for calendar year 1995 in response to the Minnesota decision and has filed refund claims for subsequent years through 2009. (At the time of the Minnesota decision, the time limit for claiming refunds for years before 1995 had expired.)

Even after the Minnesota decision, there was considerable uncertainty as to whether the *student exception* would prevail. The *student exception* had not previously been applied to medical residents and the IRS was not refunding such claims -- asserting that medical residents were employees (and not students). Lawsuits filed by institutions seeking to enforce FICA refund claims were vigorously fought by the Department of Justice, with mixed results. Refunds are now being paid because the IRS has made an administrative determination to accept the position that medical residents are excepted from FICA taxes for tax periods ending before April 1, 2005, when new IRS regulations went into effect.

For those years that an employer filed a refund claim, the claim includes two parts. The first part is the employer's FICA tax. The second part is the employee's FICA tax (for consenting medical residents only). In some cases, individual medical residents filed their own claims for their share of the FICA tax. The IRS held most claims in suspense because there was a dispute as to whether the student FICA exception applied.

4. Who is eligible to receive a refund?

Institutions that employed medical residents and individual medical residents are eligible to receive refunds if they are covered by timely filed 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.

5. How would this initiative impact my benefits from the Social Security Administration (SSA)?

Whether an individual's Social Security benefits (either current or future) will be reduced on account of removing wages from his or her Social Security earnings record will depend on the individual's personal circumstances. A refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you want information about the effect on your Social Security benefits, you should contact SSA directly at 1-800-772-1213 (toll free). If you call or visit a Social Security office, please have this letter with you. It will help SSA answer your questions. You might want to review your social security record before and after your refund

has been processed. You can use your current Social Security Statement or you can request a copy of your Social Security Statement at the SSA website: <http://www.ssa.gov/mystatement>.

6. What is the significance of April 1, 2005?

On April 1, 2005, new regulations regarding the student FICA exception became effective. One part of these regulations states that an employee who works 40 hours or more (full-time employee) for a school, college or university is not eligible for the student exception. The IRS maintains that this part of the regulations excludes medical residents from the student exception. The United States Supreme Court has agreed to hear a case involving the validity of the IRS's regulations regarding the student FICA exception and medical residents. The University of Rochester, which has filed refund claims for the second quarter of 2005 through the end of 2009, will continue to monitor the legal developments for the post-Regulation periods.

II. Refund Application Procedures

7. What must I do in order to be included in University of Rochester FICA refund claim for training that I received prior to April 1, 2005?

The letter included in this mailing provides detailed instructions on how to participate in University of Rochester's refund claim. If you wish to participate please read the materials thoroughly, complete and sign the Consent Form, and return the signed Consent Form as indicated on its face. Reply options are (1) email, (2) fax, and (3) hardcopy mail.

8. Why am I being asked to sign a consent?

An employer cannot recover the employee portion of a FICA refund on behalf of the employee without the employee's written consent.

9. I previously signed a consent for one or more years between 1998 and 2001. Do I need to submit a new consent letter for those years?

Yes. Though the Internal Revenue Service acknowledges that consents have been previously submitted by former residents, they are requiring consents to be obtained again as part of the current refund process. If you want the University to recover refunds for you for medical resident stipends paid to you in 1998 through 2001, please include those years on the Consent Form, along with any other years of your University of Rochester residency in which you want the University to act on your behalf. We will not act on your behalf for any years not included on the form.

10. If I consent, when will I get my money?

Residents who consent to participate in the refund claim process should not expect to receive their refund check from University of Rochester until several months (or even more than a year) after consenting. This is because there are multiple procedural steps that must be undertaken by University of Rochester and the government after the consents are received and before University of Rochester is able to remit the refunds to the residents (i.e. filing final refund claims, review and processing by the government, and allocation of interest to individual residents).

Please note that until you hear from us otherwise, you will be personally responsible for keeping your address information up to date and the refund process may take more than a year to resolve. Failure to do so could cause any refund checks to you to be undeliverable, and ultimately escheated to the state of your last known residence.

11. Will I receive interest on my refund?

Yes. The IRS will pay statutory interest when refunding these taxes and you will receive your proportional share. Interest in excess of \$600 will generally be reported on Form 1099-INT as required by the IRS.

III. Miscellaneous

12. Whom should I contact if I have questions regarding this initiative or to update my contact information?

Because each resident's personal tax situation is different, we encourage you to discuss questions about your particular situation with your tax preparer or other personal financial advisor. For general updates, please visit our website at www.URMC.Rochester.edu. For general procedural questions, you may contact Deloitte Tax LLP by email at urfica@ame1mail.deloitteonline.com

13. Is it too late for me to file my own refund claims?

Probably yes, for the period covered by this settlement process. But this is something you need to discuss with your own tax preparer or financial advisor.