

March 2, 2003

Dr. «FIRST\_NAME» «LAST\_NAME»  
«M\_1ADDRESS»  
«M\_2ADDRESS»  
«CITY», «ST» «ZIP»

The University of Rochester School of Medicine and Dentistry Resident FICA Tax Initiative for the years 1998, 1999, 2000 and 2001

Re: 1998 Residents/Fellows in Training

Dear Dr. «LAST\_NAME»:

You are eligible for a Social Security and Medicare (FICA) tax refund check related to your participation in designated residency training at the University of Rochester School of Medicine and Dentistry during the 1998 calendar year.

As background, the University of Rochester School of Medicine and Dentistry reconsidered its treatment of residents/fellows in training for FICA tax purposes as a result of recent favorable court decisions relating to this issue. It is the position of the University of Rochester School of Medicine and Dentistry that its residents/fellows in training are engaged in a course of study, and are therefore eligible for a special "student" exemption from FICA. Alternatively, the University of Rochester School of Medicine and Dentistry maintains that the residents/fellows in training have been paid training stipends, which are not FICA taxable.

The University of Rochester School of Medicine and Dentistry filed a FICA tax claim with the Internal Revenue Service (IRS) for FICA taxes remitted on eligible payments to residents/fellows in training during the 1998 calendar year. The IRS **approved** the University of Rochester School of Medicine and Dentistry's petition for 1998.

However, that approval might not be the IRS' final action related to our petition. In general, the IRS has two years from the granting of a refund within which to assert that the IRS made an error in approving that refund and to sue for its recovery. The IRS had taken that step in at least one circumstance where it filed a lawsuit against the Mayo Foundation (Mayo Clinic) seeking to recover about \$4,000,000 in FICA refunds.

Therefore, due to the significant risk of the IRS reversing its decision, we plan to issue refund checks in January 2005 shortly after the two-year statute of limitations has closed any potential action by the IRS to reverse the refund. We will continue to monitor legal developments in this area, and if the present IRS controversy surrounding this issue is resolved sooner than that, we may release the checks before January 2005. The FICA refund checks which would ultimately be issued would also include interest accrued from January 2005 through the date of disbursement.

Dr. «FIRST\_NAME» «LAST\_NAME»

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To receive your refund check, you must sign Part 1 of this letter to participate in the group claim. You must also sign Part 2 to confirm that you have not individually claimed a credit or refund of FICA taxes for 1998. You will receive from the University of Rochester an amended Form W-2 (Form W-2c) to correct your FICA wages when the checks are released.

In addition, you may be eligible for an additional FICA tax refund if you were involved in designated residency training at the University of Rochester during the years 1999, 2000 and 2001. You may be entitled to a refund for these years if and when the IRS determines that such payments are exempt from FICA taxes. We must file each year's claim for refund separately with the IRS, as approval in one year does not guarantee approval for any subsequent year. Enclosed for your reference is a list of frequently asked questions and answers as they relate to this initiative at the University of Rochester.

We have decided to engage Deloitte & Touche, LLP as consultants to handle our initiative regarding Medical Resident FICA refund claims. Your response must be received by Deloitte & Touche within 60 days of the date of this letter. Any response received by Deloitte & Touche after this period cannot be accepted.

Please contact your tax advisor regarding questions about your individual tax situation.

Very truly yours,



Michael Goonan  
Vice President & Chief Financial Officer  
University of Rochester Medical Center



Diane Hartman  
Associate Dean for Graduate Medical Education  
University of Rochester School of Medicine & Dentistry