Student FICA Exemption

Effective for the biweekly pay date July 28, 2000 and the monthly pay date August 1, 2000 student employees will be exempt from FICA taxes providing that the student is "enrolled and regularly attending classes" and meets the IRS guidelines as listed below. FICA taxes are listed on the earning statement in your pay envelope as OASI and OAHI.

The IRS interpretation of section 3121(b)(10) of the Internal Revenue Code, as set forth in Rev. Proc. 98-16, provides that a student employee will be exempt from FICA taxes if the student is enrolled at least half-time, in accordance with the regulations issued by the Department of Education. In addition, no limit is imposed on the number of hours a student may work for the university and still qualify for the exemption.

The following additional requirements are contained in the IRS guidelines:

- If a student is enrolled less than half-time, the student may still be eligible if the student is in the last semester of a course of study, and is enrolled in the number of hours needed to complete the requirements of obtaining a degree.
- The student FICA exception is not applicable to career employees (e.g., TRS/ORP members)
- The exception applies to all services performed during all payroll periods of a month or less that fall wholly or partially within the academic term.
- The exception does not apply to services performed by a student during school breaks of more than five weeks.

Student employees not enrolled at least half-time must contribute to OASI and OAHI unless the student is in the last semester of a course of study and enrolled in the number of hours needed to complete the requirements for obtaining a degree, certificate, or other recognized credential offered by the University.

A student is exempt from withholding during intercession and break periods of 5 weeks or less as long as the student is otherwise eligible for the exception on the last day of classes in the academic period preceding the break and is eligible to enroll. The last day of classes will be the last day of finals.

Details of the IRS guidelines are explained on the web at
http://sago.tamu.edu/soba/TaxManual/AppendixC.htm
or students may call the Payroll Department at ext. 2408.