

Business Services – Student Payroll

FICA Exemption Requirements



Student Employee FICA/Medicare Exemption Requirements

The general student FICA (Federal Insurance Contributions Act) tax exemption rules is as follows: payments for services performed in the employ of a college or university are exempt from FICA if the services are performed by a student who is enrolled and regularly attending classes at the college or university.

Undergraduate Students

Academic year: maintain a half time (at least 6 semester hours) academic load
Summer session: maintain at least 3 semester hours per session

Graduate Students

Academic year: maintain a half time (at least 3 semester hours) academic load
Summer session: maintain at least 2 semester hours per session.

Prior to April 1, 2005, if a student employee met the above criteria, it was not necessary to withhold FICA tax. However, for services performed on or after April 1, 2005, the following student FICA and Medicare tax modifications occurred because of changes to Internal Revenue Service regulations.

Minnesota State Colleges & Universities Student FICA Tax Exemption Guidelines

Colleges and universities must determine if services performed by a student employee are considered “full-time” either by IRS definition or by institution standards and practices. Student employees who have a “normal work schedule” of **40 hours or more per week** will **always** be considered full-time employees according to the IRS, regardless of how the institution classifies them. The IRS reasons that “services of a full-time employee are no incident to and for the purpose of pursuing a course of study.”

For student FICA tax exemption purposes only, the following guidelines will apply: **Student FICA will not be exempt for student services performed on or after April 1, 2005 if the student was or is hired by the college or university with the intent that the student employee will have a normal work schedule of more than 30 hours per week.** Institutions may at their discretion hire students to work a normal work schedule of more than 30 hours per week, however the student and institution are responsible to pay student FICA tax.

Summary Information Regarding MnSCU Student FICA Exemption Guidelines

Students hired with a normal work schedule of more than 30 hours per week will be subject to FICA tax. **Individuals responsible for hiring must complete and deliver to the Student Payroll Office the “Student Employee FICA Tax – Hire Form” if they hire a student to work a “normal work schedule” of more than 30 hours per week.** This form is attached to this email and will also be available on the Payroll website.

1. Student employee supervisors should evaluate student employee’s normal work schedules at the beginning of each academic term.
2. For programs or internships that require more than 30 hours per week as a normal work schedule, the student in general will not be exempt from FICA tax. The individual responsible for the program must complete the Student Employee FICA Tax – Hire Form.

3. Students who work 30 or more hours per week during academic breaks of five weeks or less will not be considered full-time employees and thus are still eligible for the FICA exemption (if they were a student enrolled at least half-time and regularly attending classes before and after the academic break).
4. A student employee's normal work schedule is not affected by increases in hours worked caused by work demands unforeseen at the start of the academic term. For example, if another individual is sick (or there is a sudden increase in work) requiring a student employee to work 30 or more hours in a given week, this would not by itself change the employee's status to that of a full-time employee.
5. The nonresident alien student FICA exemption still applies even if a student is deemed to be a "full-time" employee.
6. If the student employee changes employment positions during the term, the institution must redetermine whether the employee is full-time. If a student works in multiple positions during the same time frame, the total hours the student works for the institution will be considered when determining if the student works "full-time".
7. If a student is not enrolled in coursework (i.e., during summer break), FICA tax is already required to be collected; therefore, hours worked would not alter the FICA tax exemption determination.

The IRS regulations also include subjective tests. The IRS requires institutions to determine whether the "educational" or "service" aspect is predominant for the individual. The facts and circumstances of each situation will determine whether an individual is eligible for the student FICA exception. For example, if a student receives an employment benefit such as certain tuition reductions, the IRS states that the institution must then determine whether education or service predominates. Also, individuals performing services involving advanced knowledge, consistent exercise of discretion and judgment, and are predominately intellectual and varied in character are considered "professional employees", therefore, the situation must be reviewed based on the facts and circumstances to determine if they are eligible for the student FICA exception. The "professional employee" and benefits issues usually will arise with graduate students. Situations that involve these aspects will be reviewed to determine whether or not the student is required to pay FICA tax based on the new regulations.

Please review your student employee positions for summer session and **complete the Student Employee FICA Tax – Hire Form** for all student employees who **do not** meet FICA Tax Exemption guidelines.

Please contact the student payroll office at 477-2223 if you have questions regarding this information.