

For Immediate Release  
August 5, 2013

Contact Chuck Knapp  
(785) 342-6510

### **\$17.75 Million in FICA Refunds Issued to Former Medical Residents**

TOPEKA, Kan. – Approximately 1,140 former medical students of the University of Kansas Medical Center (KUMC) received \$17.75 million in Social Security and Medicare refunds last week thanks to the persistence of staff at the Kansas Department of Administration, State Board of Regents and KUMC.

"These refunds were possible due to the dedication and commitment of our State employees," said Kansas Governor Sam Brownback. "They are literally responsible for saving Kansas taxpayers millions of dollars."

The refunds represent Social Security and Medicare taxes, plus interest, withheld from the paychecks of the former medical residents from January 1, 1993 to March 31, 2005 under the Federal Insurance Contribution Act (FICA). The Internal Revenue Service (IRS) agreed to issue refunds for this period following successful litigation by medical schools across the country claiming medical residents were students and therefore exempt from FICA taxes under IRS regulations in place during that time. To avoid future litigation, the IRS clarified the regulation in question, effective April 1, 2005, to specify that medical residents were full-time employees and therefore ineligible to receive the student exemption, a change that was upheld by the Supreme Court on Jan. 11, 2011.

Staff at the University of Kansas Medical Center, the Department of Administration, and the Kansas Board of Regents worked over a period of 18 years to ensure that medical residents and the State of Kansas were eligible to claim refunds for the maximum number of years available under the IRS settlement ruling. Employers who did not complete the appropriate IRS paperwork during the years the litigation was in process were only able to claim refunds for a limited number of years when the final settlement was announced. Deloitte Tax, a consulting partner, was also contracted to assist in the recovery effort.

"We've worked hard over many years to ensure that the money that residents and the KU Medical Center paid to the IRS is returned. This is good news for our former medical residents, and we look forward to the return of the full amount of the employer contribution," said Chancellor Bernadette Gray-Little.

"Employees from the Department of Administration are delighted to be part of the dedicated team that has worked over the past 18 years to see these refunds become a reality for the medical residents and the State of Kansas. It's an exciting time for everyone involved in this project." said Nancy Ruoff, Payroll Services Manager for the State of Kansas.

The State of Kansas will receive an additional \$25 million, representing the employer's share of withholding.