

Related Data Item 1111.1rd

As related to Policy 1111, University of North Carolina at Chapel Hill Policy on Student Employee FICA Exemption

Criteria for Student FICA Tax Exemption under the IRS Safe Harbor Tests

Effective Date: April 1, 2005

Last Modified Date: May 28, 2020

General Standards

Under the Revenue Procedure 2005-11 safe harbor rules, a wage payment made by the University to an individual who (a) is at least a half-time undergraduate student or at least a half-time graduate or professional student, (b) is not a full-time employee of the University, (c) is not a "professional employee," and (d) does not receive certain specified employment benefits will qualify for the student FICA exemption. Each of these elements of the safe harbor rules is described in detail below.

Student Enrollment Status

In determining whether an individual is a "student" of the University, the Payroll Office will rely on data in the ConnectCarolina Student Administration system and other relevant facts.

A half-time undergraduate, graduate, or professional student is an enrolled undergraduate, graduate, or professional student who is carrying a half-time academic load as determined by the University. The per-semester course loads that qualify the student for the FICA tax exemption under these safe harbor rules for the fall and spring semesters are as follows:

- Undergraduates eligible for the student FICA exemption: six (6) or more credit hours
- Graduates and professionals eligible for the student FICA exemption: three (3) or more credit hours

The course loads per session that qualify the student for the FICA tax exemption for the summer terms are as follows:

- Undergraduates eligible for the student FICA exemption: two (2) or more credit hours
- Graduates and professionals eligible for the student FICA exemption: two (2) or more credit hours

In addition, if a student is enrolled in any of the following programs, the person will qualify for the student FICA exemption:

- Masters Thesis Preparation (course 393)
- Dissertation Research (course 394)
- Research - Medical School (MEDI399)
- Medical Students (college MD)

Full-Time Employees

A full-time employee is an employee who is treated as such under the University's standards and practices. Regardless of the University's classification, however, any employee whose normal work schedule is 40 or more hours per week is treated as a full-time employee. The employee's work schedule during academic breaks is not considered in determining whether the employee's normal work schedule is 40 or more hours per week.

Professional Employees

A professional employee is an employee whose work: (a) requires knowledge of an advanced type in a field of science or learning, (b) requires the consistent exercise of discretion and judgment, and (c) is predominantly intellectual and varied in character. While teaching assistants, research assistants, and graduate assistants may qualify as professional employees under this standard and thereby not meet the Revenue Procedure 2005-11 safe harbor test, the University will nevertheless consider such student employees as eligible for the student FICA exemption under the facts and circumstances test, provided that the person is enrolled in coursework at least half-time and person's normal work schedule is not 40 or more hours per week.

Employment Benefits

A student employee does not qualify under the Revenue Procedure 2005-11 safe harbor rules if the employee is eligible to receive one or more of the following employment benefits:

- Vacation, paid holiday, and paid sick leave benefits,
- Participation in a section 401(a), or 403(b), or 457(a) retirement plan,
- Reduced tuition (other than qualified tuition reductions for teaching assistants and research assistants under Code section 117(d)(5)), or
- Benefits under section 79 (life insurance), section 127 (qualified educational assistance, section 129 (dependent care assistance program), or section 137 (adoption assistance).

As an example, an SHRA employee who enrolls for a half-time academic course load would not qualify for the student FICA tax exemption because he/she is eligible for employment benefits.

Other Safe Harbor Rules

Revenue Procedure 2005-11 sets forth the following additional rules relating to the application of the safe harbor guidelines.

Graduating Students. A student who is enrolled less than half-time will still meet the safe harbor guidelines if the student is graduating. That is, an individual who is in the last semester or term of a course of study and is enrolled for the number of credit hours needed to complete the degree requirements will still be regarded as at least a half-time student, even if the student is enrolled in less than half the number of credit hours required of full-time students. Students must request and receive written approval from the appropriate dean's office to carry a course under load.

Changes in Student Status during Payroll Period. An individual's status as a student may change during the academic year based on his/her academic pursuits. For example, if an individual ceased being a "student" on January 10, the person would remain eligible for the student FICA exemption until the end of that payroll period. The FICA tax exemption applies to all payroll periods that are wholly or partially within the academic semester or term for which the individual has the status of a student. Also, if the individual qualifies as a student for any part of a listed payroll period but does not qualify as a student for the entire payroll period, the individual will be eligible for the student FICA exemption for the entire payroll period. Payments to individuals with student status during the semester or term listed will qualify for the student FICA tax exemption for the corresponding pay periods.

School Breaks. An individual working for the University during the summer or during other school breaks of more than five (5) weeks, but who does not have the status of a student during this period as defined in this policy, is not eligible for the student FICA exemption on wages paid during the period. The student FICA tax exemption does apply to school breaks of five (5) weeks or less provided the individual is a continuing student. That is, in order to be eligible for the FICA tax exemption during school breaks of five (5) weeks or less, the individual must qualify for the FICA tax exemption on the last day of the semester or term preceding the break and be eligible to enroll for classes in the first semester or term following the break.

Other Employee Groups. According to Revenue Procedure 2005-11, the safe harbor guidelines are not available for those employees who are postdoctoral students, postdoctoral fellows, medical residents, or medical interns because the services performed by these employees cannot be assumed to be incidental to and for the purpose of pursuing a course of study. Accordingly, it is the University's policy that payments to clinical fellows, residents and postdoctoral research associates are not eligible for the student FICA exemption. Please refer to the table below for definitions of student payroll job codes.

Title	Definition
Graduate Student Temporary Employment (Graduate Assistant)	A graduate student, enrolled as a full-time student in accordance with their program of study, who performs support functions, and is not a Teaching Assistant or Research Assistant as defined below.
Teaching Assistant	A graduate student, enrolled full-time in accordance with their program of study, who regularly teaches a class or classes; supervises recitation sections; has full responsibility of a course, or leads discussions sections; or grades papers and exams; or supervises a laboratory section or sections; under the supervision of a member of the graduate faculty.
Research Assistant	A graduate student, enrolled full-time in accordance with their program of study, and is engaged in research activities directly related to their program of study under the supervision or in collaboration with a member of the graduate faculty.
Predoctoral Fellow-Trainee	A graduate student, enrolled full-time in accordance with their program of study, which holds a sponsored fellowship or traineeship, and receives a stipend or training payment (e.g. NSF Fellowship, NIH Training Grants, or Graduate School Fellows).
Clinical Fellows	A dentist (DDS) or physician (MD) fully trained and engaged in further training within a subspecialty.
Resident	A dentist (DDS) or physician (MD) engaged in post-graduate training.
Undergraduate Assistant	An undergraduate student, enrolled full-time in accordance with their baccalaureate program of study, and is engaged in a work assignment. (e.g. tutors, athletic interns, athletic managers, outreach counselors)
Postdoctoral Fellow/Trainee	An individual with an earned doctorate, who holds a sponsored postdoctoral fellowship or traineeship, who is engaged in postdoctoral continuing education and/or training through research for a fixed period of time not holding a faculty appointment, but no more than three years, and receives a stipend or training payment.
Postdoctoral Research Associate	An individual with an earned doctorate, who is engaged in postdoctoral continuing education and/or training through research for a fixed period of time not holding a faculty appointment, but no more than three years, and receives compensation for services performed.
Graduate Teaching Fellow	A graduate student, enrolled full-time in accordance with their program of study, who has full responsibility for the course, including leading the class and assigning grades.
Instructional Assistant	A graduate student, enrolled full-time in accordance with their program of study, who is responsible for grading and other administrative responsibilities related to a course including lab assistance and setup; but does not lead class discussions.