

August 25, 2010

**Re: Medical Resident FICA Refund Claims**  
**Eligible Refund Period: January 1, 1995 through April 1, 2005**  
**Response Required by: October 11, 2010**

We are writing to let you know that you may be eligible for a refund of the social security and Medicare taxes, collectively referred to as Federal Insurance Contributions Act (“FICA”) taxes, you paid during your residency or fellowship with The Mount Sinai Hospital (“Mt. Sinai”). Mt. Sinai has engaged Ernst & Young LLP (“E&Y”) to assist in the refund claim process. Please read this letter carefully to determine your eligibility and the steps you need to take to obtain your refund.<sup>1</sup>

**Background**

Under federal tax rules, employers must withhold FICA taxes from wages paid to employees as well as paying an equivalent employer tax. However, the IRS provides that services performed by students are exempt from “employment” for this purpose and, therefore, amounts paid to them are not subject to the FICA tax. Several years ago, a United States Court of Appeals decision determined that stipends paid to University of Minnesota medical residents were not subject to FICA tax as a result of the student exception. Following that decision, many institutions, including Mt. Sinai, filed Medical Resident FICA Tax Refund Claims (or MR Claims) requesting refunds of FICA taxes paid in previous years. Due to controversy surrounding these regulations and resulting litigation, the MR Claims were held in suspense by the IRS and were not paid.

On March 2, 2010, the IRS announced it would honor the MR claims for tax periods ending before April 1, 2005. This new IRS Global Settlement Initiative (the “Program”) will be handled under an IRS administrative process.

Mt. Sinai filed initial refund claims with the IRS of FICA taxes paid since January 1, 1995 on compensation earned for services performed by medical residents. The process described in this letter does not apply to tax periods after April 1, 2005 because those periods are still being litigated.

Please note the IRS is currently reviewing whether the MR Claims relating to specific periods during 1995, 1996, 1998 and 2004 are eligible for refund. Mt. Sinai is working through this issue with the IRS and intends to submit information to the IRS for all time periods between 1995 and March 31, 2005. However, it is possible that the IRS will deny our MR Claim for some or all of the periods at issue.

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<sup>1</sup> In an attempt to locate all former residents eligible for the refund, Mt. Sinai utilized the United States Postal Service’s (“USPS”) database to obtain updated addresses. If multiple addresses were provided for any individual, Mt. Sinai mailed these documents to each address. Therefore, you may receive this letter more than once.

## Estimating your Refund

Depending on your individual circumstances, your refund amount could be significant because the social security tax rate is 6.20% of taxable wages, up to the annual limit, and the Medicare tax rate is 1.45% of taxable wages, with no limit. For example, a resident who received eligible compensation of \$40,000 during 1995 and did not have any pre-tax deductions may be eligible for a refund of \$3,060 in FICA taxes plus interest of approximately \$2,660 for a total refund of more than **\$5,700** for calendar year 1995 alone.

Eligible compensation is compensation received for services performed as a medical resident or fellow and excludes compensation for services that were provided outside the scope of your residency/fellowship program, such as moonlighting pay. The dates shown at the top of this letter under 'Eligible Refund Period' represent the dates within the refund period that you were a resident or fellow at Mt. Sinai, according to Mt. Sinai's records.

The IRS has not provided guidance on the definition of a medical resident. Accordingly, it is not clear whether all residency and fellowship programs will be eligible for these refunds. Refund claims for individuals in research programs or non-ACGME accredited fellowships may not be approved by the IRS.

Please visit our website at <https://survey.ey.com/FICA/MountSinai> for additional information and assistance with estimating your refund.

## Refund Process

After we file the documentation to support Mt. Sinai's MR Claims, the IRS will verify the amount of the MR Claims and begin issuing refund checks, including statutory interest, to Mt. Sinai. **Mt. Sinai cannot receive a refund of the FICA taxes that were withheld and paid on your behalf unless we have your written consent.** If you do not consent to have Mt. Sinai obtain your refund, you may be precluded from receiving any refund of the FICA taxes withheld and paid on your behalf because the time period for filing an individual claim for refund with the IRS may have expired.

If you consent and the IRS approves, Mt. Sinai will pay you your FICA tax refund, plus statutory interest, after the institution receives the refund from the IRS. The FICA tax portion of the refund is not taxable; however, the interest portion of the refund is taxable to you whether or not you receive a Form 1099-INT, *Interest Income*. (Mt. Sinai is required to file Form 1099-INT with the IRS and furnish a copy to you if they pay you interest of \$600 or more in a calendar year. Mt. Sinai will not file Form 1099-INT with the IRS or furnish a copy to you if the interest portion is less than \$600.)

In addition, Mt. Sinai will file Form W-2c, *Corrected Wage and Tax Statement*, with the Social Security Administration (SSA), and furnish a copy to you for each tax year for which you receive a refund of FICA taxes. In most cases, Form W-2c will show a reduction in your earnings for social security coverage purposes in an amount equal to all the wages you were paid for services performed as a medical resident. Because social security benefits are based on your earnings over your working lifetime, a refund could reduce disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you would like general information about the effect on your social security benefits, you should contact SSA directly at 1-800-772-1213.

To consent to receive your share of the refund from Mt. Sinai, you must fully complete and sign the enclosed Employee Consent Form and return it to Mt. Sinai by regular mail, fax or email. (A pre-paid return envelope is enclosed for your convenience.) The IRS has established a deadline for Mt. Sinai to file its refund claim; therefore, your signed consent form must be received no later than Monday, October 11, 2010. If for some reason you miss this deadline, please contact Mt. Sinai or E&Y immediately using the contact information below to determine if you can still be included in the refund claim.

If you have already claimed and received a refund or credit for FICA taxes that were withheld from your medical resident wages, or if you filed an individual refund claim for such FICA taxes and that claim is still pending with the IRS, then we will not be able to file your MR Claim for the periods covered by those claims. This restriction does not apply if you filed a refund claim and it was rejected by the IRS. If you want Mt. Sinai to file your MR Claims for some years, but not others, check "Yes" for the years you are eligible or "No" for the years you do not consent and/or you are not eligible.

If you consent to be part of Mt. Sinai's MR Claim and the IRS determines that you are not eligible for a refund, the IRS will not refund your share to Mt. Sinai and, therefore, you will not receive a refund from Mt. Sinai.

E&Y has established a website at <https://survey.ey.com/FICA/MountSinai/> to provide additional information about the refund process, allow you to download and print the enclosed Employee Consent Form, assist you in estimating your total refund (including interest), and allow you to contact Mt. Sinai or E&Y with your updated address should you have an address change before you receive your refund. Additionally, updates will be periodically posted to the website to alert you to the current status of the MR Claim. At this time, we have no information about when the IRS will issue any refunds to Mt. Sinai.

If you have any questions about this letter or the refund process, please contact E&Y via email at [MountSinai.FICArefunds@ey.com](mailto:MountSinai.FICArefunds@ey.com) or call 877-800-3830, Monday through Friday 9:00 am to 6:00 pm EST. You can also contact Kevin Farrell of Mt. Sinai at [Kevin.Farrell@mountsinai.org](mailto:Kevin.Farrell@mountsinai.org) or 212-731-3050.

Sincerely,

Michael Pastier  
Senior Vice President/Chief Financial Officer  
The Mount Sinai Hospital

# The Mount Sinai Hospital - Employee Consent Form

SSN: \_\_\_\_\_ Current Name: \_\_\_\_\_  
Last, first and middle initial

Prior name: \_\_\_\_\_ Cell Phone: \_\_\_\_\_  
*If you changed your name because of marriage, divorce, etc., enter the name you used when you were a medical resident.*

Phone: \_\_\_\_\_ e-mail: \_\_\_\_\_

Address: \_\_\_\_\_  
Number and street or P.O. box number Apt. No

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP code: \_\_\_\_\_  
*Note: If foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code. Please do not abbreviate the country name.*

For each calendar year shown below, check "Yes" if you authorize The Mount Sinai Hospital to collect the refund on your behalf, or "No" if: (i) you do not authorize The Mount Sinai Hospital to collect the refund on your behalf; or (ii) you are not eligible for a refund for that period.

1995*	<input type="checkbox"/> Yes <input type="checkbox"/> No	1996*	<input type="checkbox"/> Yes <input type="checkbox"/> No	1997	<input type="checkbox"/> Yes <input type="checkbox"/> No
1998*	<input type="checkbox"/> Yes <input type="checkbox"/> No	1999	<input type="checkbox"/> Yes <input type="checkbox"/> No	2000	<input type="checkbox"/> Yes <input type="checkbox"/> No
2001	<input type="checkbox"/> Yes <input type="checkbox"/> No	2002	<input type="checkbox"/> Yes <input type="checkbox"/> No	2003	<input type="checkbox"/> Yes <input type="checkbox"/> No
2004*	<input type="checkbox"/> Yes <input type="checkbox"/> No	1st Quarter of 2005	<input type="checkbox"/> Yes <input type="checkbox"/> No		

For each calendar year I checked "Yes" above:

- I have not claimed and will not claim a refund or credit from the IRS for any FICA taxes from wages paid for services performed as a medical resident, or if I have, the claim was rejected.
- I did not receive a FICA tax refund or credit because I earned in excess of the social security wage base on my Federal income tax return (e.g., Form 1040).
- I understand that my Social Security earnings record will be corrected to reflect zero wages earned as a medical resident for tax periods for which I receive a refund. I understand that removing these wages could affect my, or my dependents', eligibility to or the amount of future Social Security benefits.
- I give my consent to The Mount Sinai Hospital to file a Medical Resident FICA Refund Claim on my behalf for refunds of FICA taxes that The Mount Sinai Hospital withheld from my wages for services I performed as a medical resident at Mount Sinai.
- I understand that completing this form does not guarantee that I will receive a refund. The refund claim is subject to IRS approval and the IRS may determine I am ineligible.

SIGN HERE ► \_\_\_\_\_ Date: \_\_\_\_\_

Return your signed consent form (postmarked no later than October 11, 2010) to:

**Attn: Michael Pastier, The Mount Sinai Hospital**  
**633 Third Avenue, 10<sup>th</sup> Floor, New York, NY 10017**

**Fax: 212-731-3042 Email: [Kevin.Farrell@mountsinai.org](mailto:Kevin.Farrell@mountsinai.org) (sign and scan form)**

**Keep a signed copy of the consent form for your records. Please contact us at 877-800-3830 or [MountSinai.FICArefunds@ey.com](mailto:MountSinai.FICArefunds@ey.com) if you have any questions.**

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