

**Finance & Operations Policy FO-PAY-21  
Student FICA**

The Payroll Office complies with the Internal Revenue Code, Revenue Procedures 98-16 and 2005-11. These provisions set forth generally applicable standards for determining whether service in the employ by colleges and universities are eligible for student FICA tax exemption.

Sam Houston State University employees who are benefits eligible (participate in a retirement program) are not eligible for FICA tax exemption. The determination of student employee's FICA exemption status is made at the end of the drop-add period. This is the twelfth class day during the spring and/or fall semesters and the fourth class day during the summer semesters.

**ELIGIBILITY:**

1. Undergraduate students, defined by Department of Education regulation at 34 C.F.R. 674.2 (1997), enrolled a minimum of half-time, in accordance with the Department of Education regulations are eligible for exemption for FICA taxes. Department of Education regulations state that "half time" is as defined by each campus in the undergraduate course catalogue.
2. Graduate or professional student is defined as a student who is enrolled at an institution of higher education for the purpose of obtaining a degree, certificate, or other recognized educational credential above the baccalaureate level or is enrolled in a program leading to a professional degree; has completed the equivalent of at least three years of full-time study at an institution of higher education, either prior to entrance into the program or as part of the program itself, and is not a postdoctoral student, postdoctoral fellow, medical resident, or medical intern. Department of Education regulations state that half time is defined by each campus in the graduate course catalogue.
3. Undergraduate, graduate and professional students in their final semester of a course of study and enrolled in the number of hours needed to complete the requirement for obtaining a degree, certificate, or other recognized credential will be eligible for the FICA tax exemption. The student must file a request for the exemption with the Payroll Office.

**WORK REQUIREMENT:**

1. The amount of remuneration for services performed by the student, the type of services performed by the students, and the place where the services are performed are immaterial for purposes of the student FICA exception. Hours worked must be no more than 70% of the standard hours within a University workweek (12:01 am Sunday to 12:00 midnight Saturday) with no more than three occurrences exceeding 70% within a single term/eligibility period. (*Please see Finance and Operations Policy ER-3 – Work Schedules and Employee Compensation/Student Assistant Work Schedules*).

**EMPLOYMENT DURING INTERSESSION AND BREAKS:**

1. The student FICA exception does not apply to services performed by an individual who is not enrolled in classes during school breaks of more than five weeks. A student who works during summer break but is not enrolled at the university is not eligible for the exemption for the time not enrolled.
2. A student is eligible for the FICA exemption for employment which continues during normal school breaks of five 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 for the calculation of the five-week period.

Sam Houston State University  
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3. A student who works immediately before and/or after an academic term in which the pay periods fall partially or wholly in the academic term is eligible for the tax exemption for the period those services are performed.

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Next review: August 31, 2020