MEMORANDUM

April 25, 2008

TO: Personnel Officers
Administrative Officers
Student Employment Officers

FROM: Russell W. Miyake
Director of Financial Management and Controller

SUBJECT: Student Assistant and Graduate Assistant FICA Tax Exemption

The spring semester will end in mid-May. In order to maintain the FICA exemption for your student employees, they must be enrolled in the summer session on a half-time basis (3 credits or more). The UH-Manoa Student Employment and Cooperative Education office (SECE) developed a questionnaire (Attachment A) and flowchart (Attachment B) to assist the departments in determining the FICA status of a student as exempt code “N” or PTS Deferred Compensation code “K”.

The PTS Deferred Compensation deducts 7.50% of gross wages before taxes for deposit into the student’s PTS deferred compensation account. A Medicare tax of 1.45% is also assessed to the student and employer.

- If a change in the FICA code is required to an existing student record, departments need to change the FICA code via the SECE Student On-Line System.

- The FICA tax exemption issue does not affect 9-month graduate assistants since their compensation is prorated over 12 months.

- 11-month graduate assistants will be required to participate in the PTS Deferred Compensation program for their summer work if they are not enrolled for a total of at least 4 units during summer sessions. If the one-month off-duty period is taken during the summer, compensation received during this off-duty period would qualify for FICA tax exemption since no work was performed. If a change in the FICA code is required, prepare and submit a PNF to reflect the proper FICA code. Use action/reason “Data Change / 950” (Change in Record - Other Changes).
Timing of the document submittal is most critical as an erroneous FICA code results in either an over-assessment or under-assessment of PTS deferred compensation contribution and Medicare taxes for which corrective action must be initiated. Refer to the “Payroll Due Dates 2008” at [http://www.fmo.hawaii.edu/FMIS/calendar.html](http://www.fmo.hawaii.edu/FMIS/calendar.html) for appropriate due dates or input dates.

- In the event of an over-assessment or an under-assessment, field administrators will be required to refund or recover the PTS Deferred Compensation amount and the Medicare tax for the student and process adjustments into the State Payroll System through the UH Payroll Office to properly correct the student’s payroll records. Fringe benefit corrections for the Medicare tax will also be required for imposed accounts.

- If students have already left University employment, field administrators will be responsible for tracking the students and executing the required corrective actions.

- If Medicare taxes are owed by a student and cannot be recovered, the funding source (imposed accounts) will be responsible for both the 1.45% employee assessment and the 1.45% employer assessment for a total of a 2.90% assessment.

Since each campus establishes their own summer session schedule, a uniform processing schedule cannot be generated. A schedule was prepared for UH Payroll Office deadlines (Attachment C) to illustrate the timing issues. For all campuses, the summer session schedules for each campus need to be considered in establishing the processing schedule to the UH Payroll Office. Document submittal must be coordinated to ensure proper timing of documents to the UH Payroll Office.

Questions related to the timing of documents should be directed to your campus Student Employment Office or the Graduate Division, as applicable. Questions on Graduate Assistant appointment processing and requests for forms/informational material on the PTS Deferred Compensation plan are to be directed to your respective Personnel Officer. Questions related to payroll processing requirements are to be directed to the UH Payroll Office at 956-7444.

Attachments

c: Howard Todo
   Brenna Hashimoto
   Peter Garrod
   Mike Wong
Student Assistant FICA Exemption Questionnaire

Name ____________________________ UH ID ____________________________

Please answer the following questions for the next academic term until instructed to stop, turn in form to your supervisor.

1. Academic Term: Fall _____ Spring _____ Summer _____
   If summer option selected, please indicate which session(s) you will be attending: (Check all that apply)
   _____Both         _____Neither          _____Summer I        _____Summer II
   _____Cross Term (indicate dates) _________ to _________

2. Will you be a non-resident alien attending the University of Hawaii on an F-1, J-1, M-1, or Q-1 visa performing services in accordance with the primary purpose of the visa’s issuance?
   YES _____ [Stop] (“N”)    NO ________ [Continue]

3. Will you be a classified student in a University of Hawaii degree or officially recognized certificate granting program?
   YES _____ [Continue]    NO _____ [Stop] (“K”)

4. Will you be enrolled for at least a half time course load?
   YES _____ [Stop] (“N”)    NO ________ [Continue]

5. If not, are you graduating?
   YES _____ [Stop] (“N”)    NO ________ [Stop] (“K”)

I certify the above answers are correct and that I will notify my supervisor immediately if my status should change in any way.

_____________________________________________
Student's Signature                                   Date
FICA Flowchart

1. Is student a career employee, medical resident, or medical intern?
   - Yes
   - No

   2. Is the student employee a nonresident alien on a F-1, J-1, M-1, or Q-1 status performing services in accordance with the primary purpose of the visa's issuance?
      - Yes
      - No

   3a (Manoa Only) Is the student a classified student in a degree or officially recognized certificate granting program?
      - Yes
      - No

   3. Is the student employee enrolled at least halftime?
      - Yes
      - No

   4. Is employment during spring or fall semester?
      - Yes
      - No

   5. Is student enrolled at least halftime in each summer session?
      - Yes
      - No

   6. Will the next academic term start within 5 weeks?
      - Yes
      - No

3b. Is student employed during summer session?

   7. Is student employee in his or her last semester?
      - Yes
      - No

   8. Wages subject to PTS Deferred Comp. Retirement Plan

   9. Wages exempt from FICA tax.*

*NOTE: If a student employee qualifies for FICA exemption and his or her academic term falls within a payroll period, the remainder in the payroll period is exempt from FICA tax also
2008 Deadlines for changes in FICA codes through “SECE” or by PNF

For All Campuses

- BASIS – ½ time attendance (3 credits or more per session for undergraduate students, 4 credits or more over the entire summer for graduate students). When a student is enrolled on at least a ½ time basis, he/she is exempt from FICA and should be coded as “N”.

- If there is less than 5 weeks between the end of one session / semester and the start of another session / semester, student assistants may remain on “N” code.

- If a student employee qualifies for FICA exemption and one day of the academic term falls within a payroll period, the remainder of the payroll period is also exempt from FICA tax.

- If students attend a special session, check class dates.

- If FICA code is changed to “K”, change back to “N” for any pay period that includes 08/25/08.

### Student Assistants (SECE)

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<tr>
<th>Condition / Action</th>
<th>PAY PERIOD</th>
</tr>
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<tbody>
<tr>
<td>To change the FICA code from &quot;N&quot; to &quot;K&quot;, or from &quot;K&quot; to &quot;N&quot; for the following pay periods:</td>
<td>05/25/08 To 06/10/08 To 06/25/08 To 07/10/08 To 07/25/08 To 08/10/08 To 08/25/08</td>
</tr>
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<td>On-Line Timesheet Approvals By 11:59 pm on:</td>
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### Graduate Assistants (PNF)

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<th>Condition / Action</th>
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<td>To change the FICA code from &quot;N&quot; to &quot;K&quot;, or from &quot;K&quot; to &quot;N&quot; for the following pay periods:</td>
<td>05/16/08 To 06/01/08 To 06/16/08 To 07/01/08 To 07/16/08 To 08/01/08 To 08/16/08</td>
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<td>Pay Date is on:</td>
<td>06/20/08 To 07/03/08 To 07/18/08 To 08/05/08 To 08/20/08 To 09/05/08 To 09/19/08</td>
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