

FICA Regulations (Undergraduate and Graduate Students)

FICA Exempt:

You are exempt from the Federal Insurance Contribution Act (FICA) taxes if you are registered:

- During the Academic Year:
 - As an undergraduate student enrolled in at least 8 units; or
 - As a graduate student enrolled in at least 4 units.

- During Summer Session:
 - As an undergraduate student enrolled in at least 6 units; or
 - As a graduate student enrolled in at least 2 units.

FICA Eligible:

If you do not meet the requirements listed above, you will contribute the following percentages from your pay:

- 7.50% - To an individual retirement account in the UC's Defined Contribution Plan (DC Plan) as an alternative to paying Social Security taxes.

- 1.45% - To Medicare

For Example:

You worked 40 hours at \$6.00 an hour. Your gross pay equals \$240.00. The following amounts would be deducted from your paycheck:

1. UC's DC Plan (7.50%) = \$18.00
2. Medicare (1.45%) = \$3.48
3. Federal and State taxes are assessed after the UC's DC Plan and Medicare deductions occur.

Student FICA (DCP/Medicare) or "Safe Harbor"

The IRS has clarified the exemption from FICA taxes available to student employees published by the Internal Revenue Service on December 21, 2004, which modified the student FICA exception provided under Internal Revenue Code (IRC) section 3121(b)(10). [Detailed FICA information from UCOP](#)

A student employee (non-career) who is a U.S. citizen, permanent resident or resident alien must be registered a minimum of half-time (6 units for undergraduates and 5 units for graduate students at UC Merced) and have appointments totaling less than 80% for any portion of the month to remain exempt from DCP/Medicare deductions. During the academic year, a registered graduate student who has advanced to Ph.D. candidacy is not subject to the unit requirement but is subject to the less than 80% requirement.

University student employees who do not meet the minimum unit requirement will be subject to withholding in the same manner as other non-career employees; that is, they will be required to contribute 7.5% of their

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gross earnings to the Defined Contribution Plan (DCP), as an alternative to Social Security contributions, and 1.45% to Medicare (total FICA percentage will equal 8.95%).

FICA Paycheck Example

Student's Gross Earnings	\$400.00
Medicare	(\$5.80)
DCP	(\$30.00)
Total Deduction	(\$35.80)
Net Earnings	\$364.20

(Net earnings would be less any other withholding, taxes or deductions.)

Defined Contribution Plan (DCP)

For clarification, the Defined Contribution Plan is a savings plan that allows participants to accumulate tax-sheltered money for retirement. Each pay period, 7.5% of salary will be deposited automatically in the Defined Contribution Plan and credited to an individual tax-sheltered account. The contributions are made on a pre-tax basis, which means they are deducted from salary before income taxes are calculated, so taxable income is reduced. Income taxes on the DC Plan contributions, as well as any earnings, are deferred (i.e., postponed) until the money is withdrawn.

The money accumulated in the DC Plan is intended primarily for use when an employee retires. When a student employee leaves University service, the account balance may be withdrawn and rolled over into another employer's 401(a) or 401(k) retirement plan (or an IRA) to retain the tax-deferred status. Student employees may also choose to cash out the account balance when they leave University service; however they may have to pay federal and state penalty taxes (currently amounting to 22%) in addition to federal/state income taxes (12.5%) which would be due upon tax filing. Questions regarding DCP accumulations can be directed to University of California, Office of the President at 1-800-888-8267, extension 70651.

Related Resources:

[DCP](#)

[Accounting Manual Reference for FICA/DCP](#)

[University of California Retirement Savings Program: Information for Safe Harbor Participants](#)