

## Frequently Asked Questions (FAQ) Regarding the Request to the IRS to Refund FICA Withholdings

On February 10, 2017, letters were sent to MCISD employees who had elected, in September 2012, to continue contributing 3% of their compensation to the Retiree Healthcare Fund. The District is seeking employee consent to request a refund from the IRS of FICA (Social Security and Medicare) taxes deducted from employees who were contributing to the 3% Retiree Healthcare Fund. **The dollar amount listed in each individual employee's letter is the anticipated amount to be reimbursed to that employee if the IRS approves the district's refund request.**

The letter and Employee Consent Form only address a request for a refund of withholding taxes collected under PA 300. The legality of the initial employee contributions to the Retiree Healthcare Fund, collected under PA 75 between July, 2010 and January, 2013, is still in litigation.

The following FAQ's are provided to answer questions regarding the February 10, 2017 letter.

1. Q. Is the request for a refund from the IRS on FICA taxes exclusive to our district or is this a state-wide issue?

*A. Any public school in Michigan that elected to withhold the FICA (Social Security and Medicare tax) on the 3% Retiree Healthcare Fund contribution beginning with the February 15, 2013 can request an IRS refund.*

2. Q. Why did the District withhold FICA taxes on the 3% Retiree Healthcare Fund contribution?

*A. At the time, the District had no clear guidance from the IRS regarding whether or not the 3% contribution was subject to FICA. As a precautionary measure, the District withheld the FICA.*

3. Q. What has changed?

*A. We have received verbal communication from the IRS that the 3% contribution should not have been subject to FICA. As a result, we are moving ahead to request a refund of FICA taxes deducted from affected employees.*

4.Q. Does the request for a refund affect all employees?

*A. No, only the employees who elected to maintain the 3% contribution in 2012. Those employees hired on or after 9/4/2012 or those employees who selected the Personal Healthcare Fund in 2012 are NOT affected by the request for refund.*

5. Q. Are past employees and retirees eligible for the same refund?

*A. Yes, anyone that worked at MCISD anytime between February 2013 and December 2016 and elected the 3% Retiree Healthcare Premium Subsidy are eligible for the refund.*

6. Q. How are employees, past and present, notified of the request for refund?

*A. Letters were mailed to the address on file at the MCISD for all past and present employees affected by the refund.*

7. Q. What if an employee, past or present, chooses not to consent to the District requesting a refund of the FICA tax?

*A. The district then cannot seek a refund on the employee's behalf and the employee will not receive a refund when and if the IRS refunds the District.*

8. Q. Does this have any effect on the formula that is used to calculate income for retirement?

*A. No, this does not affect eligible ORS wages or IRS taxable wages found in Box 1 of the W-2.*

9. Q. When did an employee agree to elect the 3% contribution to the Retiree Healthcare Fund?

*A. The ORS mandated (2012 PA 300) all public school employees elect, through their ORS miAccount, to continue to contribute 3% of their compensation to the Retiree Healthcare Fund and retain eligibility for the Retiree Healthcare Insurance Premium Subsidy offered by the state upon their retirement.*

*Members could have elected to opt-out of the 3% contribution of their compensation to the Retiree Healthcare Fund, and instead elect to contribute to a Personal Healthcare Fund where 2% of their wages are placed in a 457 account managed by VOYA. Any prior 3% s healthcare subsidy contributions were deposited into an employer matching 401k account.*

Employees made their election between 9/4/12 and 10/26/12 using the employees miAccount on the ORS website.

<https://ssprd.state.mi.us/wss/security/login.do?method=showLogin&retirementSystemId=1030>

Any member that did not make an election automatically defaulted to continue contributing to the 3% Retiree Healthcare Fund. All this information can be found at the ORS website, including your personal information.

[https://www.michigan.gov/documents/orsschools/Legislative\\_Summary\\_Michigan\\_Public\\_School\\_Employees\\_Retirement\\_System\\_Reform\\_2012\\_395319\\_7.pdf](https://www.michigan.gov/documents/orsschools/Legislative_Summary_Michigan_Public_School_Employees_Retirement_System_Reform_2012_395319_7.pdf)

10.Q. Is the amount listed as my refund in the February 2017 letter, the whole amount that you are seeking or is that the amount I have contributed?

A. The amount listed in an employee's letter is only the employee's portion of the refund that was withheld from paychecks for the time period of February 15, 2013 through December 30, 2016.

11. Q. Will employees receive a corrected W2 and have to refile taxes for 2013-2016?

A. Yes, employees will receive a corrected W2, when and if the IRS refunds the FICA tax; however, employees do NOT have to refile their taxes. The corrected W2 is only correcting boxes 3, 4, 5, and 6 which are Social Security and Medicare wages and taxes.

12. Q. If I have not filed my 2016 taxes yet, should I wait until after the new W2s are delivered?

A. No, the anticipated refund does not have an effect on your 2016 taxes. Your personal taxes are only based on federal taxable wages.

13. Q. How long will it take to go through the process and will we be notified periodically of the status of the claim?

A. There is no guarantee that the IRS will refund the FICA taxes. Once we receive notification from the IRS, either denying or approving the request, that information will be provided to employees.

14. Q. Who do I contact for further questions?

A. Employees can contact Betsy Taylor either through email at [Elizabeth.taylor@monroeisd.us](mailto:Elizabeth.taylor@monroeisd.us) or at 734-322-2640.

