Service Request 13214

Service Request 13214 requested a change in the derivation of Retirement, FICA and Unemployment Insurance codes for students.

On January 23, 1998, the Internal Revenue Service (IRS) published Revenue Procedure 98-16, which provided new guidelines for determining FICA tax liability for students. The guidelines contain a "safe harbor" that institutions of higher education may adopt in determining whether services performed by student employees are exempt from FICA taxes. Under the safe harbor, undergraduate and graduate students employed in non-career positions who are enrolled at least half-time, in accordance with the regulations issued by the Department of Education, are exempt from FICA. In addition, the guidelines do not limit the number of hours that a student may work for the institution and still qualify for the FICA exemption.

In the Payroll/Personnel System the calculated appointment percentage used in student derivation rules has been referred to as "predominant appointment percentage."

DB2 Programs

PPFICRET

PPFICRET performs the derivation of Retirement/FICA and UI codes for all employees. Code that checked predominant appointment percentage and applied it to derivation rules for students (Student Status 3, 4, 6 or 7) has been removed.
PPP131

PPP131 issues reports from the SIS report file created by PPP130 during special student processes. Columns related to predominant appointment percentage have been removed from the PPP1311 and PPP1313 reports.

PPO1183A

PPO1183A is a one-time program which performs derivation of Retirement/FICA and UI codes for all employees which have a Student Status code of 3, 4, 6 or 7.

Two reports, one departmental report in department/employee name order, and one central office report in funding/employee ID order, are produced. The program can be run in both non-update and update mode. It is suggested that it be run in non-update mode and the results reviewed prior to running it in update mode. In update mode the EDB is updated and an EDB Change File is created.

PPO1183B

PPO1183B is a one-time program cloned from the prior version of PPFICRET. PPO1183B is called by PPO1183A to perform the actual derivation. PPO1183B performs like the previous PPFICRET except that it does not use predominant appointment percentage to affect derivation for student employees. Unlike the new version of PPFICRET, it retains predominant appointment percentage calculation so that an indicator can be set for reporting purposes.

Table Update

System Parameter Table

System Parameter 071 defines the minimum units required for an undergraduate student employee to be exempt from Retirement/FICA and UI coverage. System Parameter 072 defines the minimum units required for a graduate student employee to be exempt from Retirement/FICA and UI coverage. The correct values differ by campus. Transactions to update these parameters will be prepared by the campus payroll managers.

Test Plan

A separate Test Plan is provided with this release.

Installation Instructions

A separate set of Installation Instructions is provided with this release.

Timing of Installation

The installation of this release is urgent.

The one-time therefore needs to be run prior to the summer student process which updates student data and performs Retirement/FICA derivation. UCOP Payroll Coordination has requested that this release be installed and the one-time run in time to include any May earnings. The one-time program will report the year-to-date Medicare gross withholding for those students who are changed to an exempt status. This information will be used to estimate the amount of the Medicare over-withholding and whether the University should pursue a refund claim with the IRS.

As usual, campuses are encouraged to install this release in as timely a fashion as possible and in the normal numeric sequence.
If there are any questions, please send electronic mail to Phil.Thompson@ucop.edu, or call at (510) 987-0468.

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