

*This letter supplements our earlier communications to you concerning our ongoing efforts to recover a tax refund which may be available to medical residents who participated in graduate medical education programs sponsored by University Hospital.*

As has been previously reported, since 2005 University Hospital and the United States have been in litigation concerning the extent to which Federal Insurance Contribution Act ("FICA") taxes must be paid on stipends provided to medical residents enrolled in programs sponsored by University Hospital. As discussed below, that litigation affected similar claims nationwide for academic medical centers.

The United States initiated this litigation as a test case seeking a determination on an issue of national significance. FICA taxes, commonly referred to as social security and Medicare taxes, are due on "remuneration for employment," but are not due with respect to amounts provided to "students" in specified circumstances. Like other academic medical centers, University Hospital, out of an abundance of caution, paid the taxes but then later filed protective claims for refunds with the IRS, relying in part on the "student exception."

After some initial court proceedings, University Hospital and the United States engaged in efforts to settle the dispute. While the parties were in the process of finalizing that settlement, the IRS made an administrative determination to accept University Hospital's position that medical residents are excepted from FICA taxes paid before April 1, 2005. This decision effected similar claims nationwide for academic medical centers.

The Tax Division of the United States Department of Justice ("Department of Justice") recently formally advised us that, as part of an overall settlement, the United States has decided to accept University Hospital's position that the "student exception applied" and that FICA taxes were not owed on stipends provided to medical residents for specified periods. The Department of Justice has proposed detailed terms to effectuate that settlement, and we are now in the process of reviewing and responding to that proposal.

Because certain matters are outside of our control, we cannot be certain when this matter the settlement will be finalized and refunds received. In addition, this matter is being settled as a result of the litigation. As a result, certain procedures must be followed that may differ from the processes and timing associated with the claims of academic medical centers which are being handled on a purely administrative basis.

Although some issues are still being resolved in connection with these refunds and the pending litigation, our expectation is within the next forty-five days those eligible for the refund will receive a letter providing additional information and asking the resident whether he or she wishes to participate in the settlement and consents to University Hospital filing a medical resident FICA tax refund claim on the resident's behalf.

We will continue to keep you advised of developments. Please continue to check our website at <http://med.uc.edu/gme.aspx> for updates.



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