

June 9, 2015

Re: Medical Resident FICA Refund

As you may recall, Meridian Hospitals Corporation (“Meridian”) filed refund claims, on behalf of residents and fellows, for Social Security and Medicare taxes (referred to as FICA) paid in years 2000 through March 31, 2005. The IRS approved Meridian’s refund claim for 2000, 2001, 2002 and 2005 (through March 31) in 2013. Checks for FICA refunds and statutory interest were mailed on February 14, 2013 to those who provided their consent to Meridian.

Meridian filed an appeal for the FICA refund claims for calendar years 2003 and 2004. A favorable decision was reached for 2004 only. Additional checks for the 2004 FICA refunds and statutory interest were mailed on June 9, 2015 to those who provided their consent to Meridian.

Since the IRS decided to refund 100% of the FICA paid and withheld on medical resident wages, we worked with them to perfect the claims. The refund claims required review on many levels. The amount of the refund corresponds to what is on our books and records, and we believe has been computed correctly.

Some things for which you should be mindful going forward:

The portion of the refund that is attributable to the FICA tax withheld is not taxable. However, the interest on the refund is taxable income to you, whether or not you receive a Form 1099-INT, *Interest Income*. Meridian is required to file Form 1099-INT with the IRS and furnish a copy to you if Meridian pays you interest of \$600 or more. For the refunds mailed on February 14, 2013, Forms 1099-INT were issued to you in January 2014. For the refunds mailed on June 9, 2015, Forms 1099-INT will be issued to you in January 2016. Meridian will not file Form 1099-INT with the IRS or furnish a copy to you if the interest you received during 2013 or 2015 is less than \$600.

Shortly after issuing refund checks, Meridian filed Form W-2c, *Corrected Wage and Tax Statement*, with the Social Security Administration (SSA). This adjustment will show up on your SSA “earnings record”. Wages subject to federal, state and/or local income tax (Boxes 1, 16 and 18) were not adjusted on Forms W-2c. The only adjustments that appear on Forms W-2c are the decreases to your FICA taxable wages and applicable taxes (Boxes 3 – 6). You should consult your personal accountant if you have any questions about any impact this refund might have on your individual Forms 1040 filed for years to which the adjustments relate.

Should your contact information change before you receive Form 1099-INT, please send an email to dingenito@meridianhealth.com. Kindly include your name, new address and the last four digits of your Social Security Number.

We want to thank you for your patience and cooperation in what has been a very extensive process with the IRS. We are obviously pleased for you and Meridian that we were able to recover these refunds.