



Department of Technology, Management & Budget  
Office of Retirement Services

## Tax implications of FICA/Medicare Exemption on 3% Healthcare Contribution (HCC)

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### Tax implications of FICA/Medicare Withholding Exemption on 3% Healthcare Contribution (HCC)

As your reporting unit prepares to file taxes for 2014, we would like to remind you of certain tax implications regarding the 3% Healthcare contribution (HCC) and the issue of FICA and Medicare taxes on those contributions that your reporting unit may have withheld. There has been no change of status in this case, but a tax form deadline is approaching.

As you may recall, when healthcare contributions were required by law in 2010 (PA 75 of 2010), your reporting unit chose whether or not to treat the 3% HCC as exempt from FICA and Medicare taxes. By court order, all of the 3% Healthcare contributions paid from July 1, 2010 through September 3, 2012 remain in an escrow account until the litigation against PA 75 of 2010 is settled. The case has been submitted to the Supreme Court; but we have no information about when the court will rule on it. Once the case is settled, we will send further communication with additional clarification.

If your reporting unit **did not** treat the 3% HCC withholdings as FICA and Medicare exempt, we recommend that you complete the IRS **Form 941-X Adjusted Employer's Quarterly Federal Return or Claim for Refund** to protect your reporting unit's claim for a FICA/Medicare overpayment refund in the event that the IRS rules that the HCC contribution is FICA and Medicare exempt. See the following schedule for deadlines for filing this form:

| Calendar Year of 3% HCC | Date by which form must be submitted to protect FICA claim |
|-------------------------|--|
| 2011                    | April 15, 2015   |
| 2012                    | April 15, 2016   |
| 2013                    | April 15, 2017   |
| 2014                    | April 15, 2018   |

[Form 941-X](#) and instructions for completing it are available on the IRS's website at [www.irs.gov](http://www.irs.gov). Further guidance on this issue is available on the [Frequently Asked Questions](#) page on the Employer Reporting website at [www.michigan.gov/psru](http://www.michigan.gov/psru).

If you need further assistance, contact ORS Employer Reporting at 517-636-0166 or

[ORS\\_Web\\_Reporting@michigan.gov](mailto:ORS_Web_Reporting@michigan.gov).

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