



JAMES P. ORLANDO, ED.D
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ph. 610-402-2602
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December 27, 2010

RE: Medical Resident FICA Refund Claims

Dear Former Resident,

I hope this letter finds you thriving both personally and professionally.

We have engaged Deloitte Tax LLP ("Deloitte") to assist us in managing the opportunity for our former residents to participate in FICA tax refund claims. Enclosed you will find a detailed letter from Deloitte explaining this opportunity. In addition, you will find a consent form which you will need to complete if you choose to participate in seeking a refund, as well as a document of frequently asked questions regarding this matter.

I encourage you to review these materials carefully as you consider this opportunity. If you have questions or need further information, we encourage you to forward all inquiries in this matter to Deloitte.

Sincerely,

James P. Orlando, Ed.D
Director, Medical Education Development and Student Affairs

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Assistant Professor of Education
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Adjunct Professor of Management
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December 27, 2010

Re: Notice of Opportunity to Participate in Medical Resident FICA Refund Claim

Applies to Former Residents at the following Lehigh Valley Health Network:

Lehigh Valley Hospital (January 1, 1996 to December 31, 2001)

Lehigh Valley Hospital-Muhlenberg (January 1, 1999 to December 31, 2001)

Dear Sir or Madam,

This letter includes important information about certain taxes you paid during your medical residency, which may be refundable to you should you choose to participate in the refund claim filed by Lehigh Valley Health Network. To participate in the refund claim, you must take timely actions outlined in this letter. If you choose to take no action, taxes paid by you will not be refunded under this claim.

As you may know, Lehigh Valley Health Network filed claims for tax refunds of Federal Insurance Contributions Act ("FICA") on wages earned for services performed by medical residents for certain tax periods. Lehigh Valley Hospital has filed refund claims from January 1, 1996 through December 31, 2001. Lehigh Valley Hospital-Muhlenberg has filed refund claims from January 1, 1999 through December 31, 2001. These taxes are FICA taxes and the claims are referred to as Medical Resident FICA Refund Claims (or MR claims).

On March 2, 2010, the IRS announced it would honor the MR claims for tax periods before April 1, 2005. After we perfect our MR claims, the IRS will verify the amount of the MR claim(s) and begin issuing refunds plus statutory interest. We cannot receive a refund of the FICA taxes that were withheld and paid on your behalf unless we have your written consent. If you do not consent to have Lehigh Valley Health Network obtain your refund, you may be precluded from receiving any refund of the FICA taxes withheld and paid on your behalf because the time period for filing an individual claim for refund with the IRS may have expired. Lehigh Valley Health Network is now seeking consents for residents enrolled from the aforementioned period. The IRS is requiring each former resident to provide a signed written consent in order to claim their portion of the refund.

If you consent, Lehigh Valley Health Network will pay you your portion of the FICA tax refund, plus statutory interest that it receives on your behalf from the IRS.¹ Such receipt and distribution is anticipated to take several months or more as Lehigh Valley Health Network must prepare the documentation required by the IRS with respect to these claims and the IRS will review the submission before the claim

¹ If you consent, you will be eligible to receive refunds for only those years for which Lehigh Valley Health Network as your employer (or former employer) filed claims for tax periods before April 1, 2005. The FICA refund claim period for the Lehigh Valley Hospital is for those medical residents who were paid stipends between January 1, 1996 and December 31, 2001. The FICA refund claims period for the Lehigh Valley Hospital – Muhlenberg is for those medical residents who were paid stipends between January 1, 1999 and December 31, 2001.

is processed for refund. The FICA tax refund is not taxable; however, the interest on the refund is taxable to you whether or not you receive a Form 1099-INT, Interest Income. Lehigh Valley Health Network is required to file Form 1099 INT with the IRS and furnish a copy to you.

In addition, if you consent to participate in the MR claim(s), Lehigh Valley Health Network will file Form W-2c, *Corrected Wage and Tax Statement*, with Social Security Administration (SSA), and furnish a copy to you for each tax year for which you receive a refund of FICA taxes. In most cases, Form W-2c will show a reduction in your earnings for social security coverage purposes in an amount equal to all the wages you were paid for services performed as a medical resident. Social security benefits are based on your earnings over your working lifetime. Accordingly, based on your personal circumstances, a refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you want information about the effect on your social security benefits, you should contact SSA directly at 1-800-772-1213 (toll free). If you call or visit a Social Security office, please have this letter with you. It will help SSA answer your questions. You might want to review your social security record before and after your refund has been processed. You can use your current Social Security Statement or you can request a copy of your Social Security Statement at the following website: <http://www.ssa.gov/mystatement>.

To consent to receive your share of the refund from Lehigh Valley Health Network, you must complete the enclosed consent form and send it to the address indicated at the bottom of the consent form. Your consent form must be sent by e-mail or fax, or be postmarked, no later than February 10, 2011 (the "Mailing Deadline") to be considered timely. If you do not consent or if your consent form is not received within five (5) business days after the Mailing Deadline, you will not be able to participate in the refund claim.

Please include your e-mail address on the consent form provided, so that we may send you an email confirmation. You will receive an emailed confirmation of your consent within three (3) business days of receipt.

Please submit your consent form only once, do not send unsolicited duplicate consents. If you have not received your expected confirmation of receipt within three (3) business days, you may send an inquiry via email to lvhnfica@deloitte.com. Please provide Deloitte with a phone number where we can reach you in case we have questions regarding your consent.

If, for the tax periods which are the subject to the Lehigh Valley Health Network MR claims, you have already received a refund or credit for FICA taxes that were withheld from medical resident wages, or if you filed an individual refund claim on your own behalf for such FICA taxes and that claim is still pending with the IRS, then we will not be able to file your MR claim for the year(s) that you received a refund or credit or have a pending refund claim. This restriction does not apply if you filed a refund claim and it was rejected by the IRS. If we can file your MR claims for some years, but not others, check your consent form as "Yes" for the years you are eligible and leave blank any years for which you are not eligible.

If you consent to be part of Lehigh Valley Health Network MR claim(s) and the IRS determines that you are ineligible for a refund because you already received a refund based on an individual claim you filed, the IRS will not refund your share to us and this information may be disclosed to us.

NAME CHANGE OR DEATH

If your name has changed since your residency, please provide legal documentation as to your name change (e.g., marriage certificate, divorce decree, etc.) with your signed consent form.

If you are the personal representative of a deceased resident, please provide a copy of the death certificate as well as legal documentation as to your authority to represent the estate of the deceased resident. This additional documentation should be submitted as an attachment to your completed consent form.

DIRECT GENERAL QUESTIONS ON THIS INITIATIVE TO DELOITTE

Neither Lehigh Valley Health Network, nor Deloitte Tax, LLP (“Deloitte”), can advise you whether or not you should consent to participate in the refund claim, nor can we provide you with tax, legal, accounting or financial advice. We encourage you to discuss questions about your particular situation with your tax preparer or other personal financial advisor.

It is unclear how long it will take the IRS to refund FICA taxes to us. As a result, we do not know how long it will take for FICA refund payments to be made to consenting residents. This process may take several months, perhaps even more than a year. We thank you in advance for your patience as we finalize these refund claims.

For general updates, please visit the Lehigh Valley Health Network website at www.lvhn.org/taxrefund; search for FICA Reimbursement Information.

For general procedural questions on this initiative that are not answered through the enclosed frequently asked questions, you may contact Deloitte by the following methods:

- E-mail: lvhnfica@deloitte.com
- Fax: 866-914-0224
- Toll-Free Telephone Mailbox: 1-877-355-6080. Your call will be answered within two (2) business days
- Mail at: Lehigh Valley Health Network
c/o Deloitte Tax LLP
P.O. Box 60246
Philadelphia, PA 19102

ADDRESS UPDATES

If your address as shown on this consent letter is incorrect, please provide your current address on your returned consent form. If you move after your consent form is submitted, and before you receive a refund check, you can send address updates to Deloitte through the following methods:

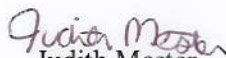
- E-mail: lvhnfica@deloitte.com
- Fax: 866-914-0224
- Mail at: Lehigh Valley Health Network
c/o Deloitte Tax LLP
P.O. Box 60246
Philadelphia, PA 19102

Please note that all requests to change your mailing address must include the last four digits of your Social Security number so that we can verify that the request is coming from you.

Please note that keeping your address information current is your responsibility. Failure to provide your current address could result in delay of delivery of your refund check or return of your check as undeliverable. Remember that this refund process may take more than a year to resolve.

If you have any questions about this letter, please contact Deloitte toll-free at 1-877-355-6080.

Very truly yours,


Judith Mester
Firm Director
Deloitte Tax LLP

Enclosures

Lehigh Valley Health Network:
Lehigh Valley Hospital (January 1, 1996 to December 31, 2001)
Lehigh Valley Hospital-Muhlenberg (January 1, 1999 to December 31, 2001)
****CONSENT FORM – MEDICAL RESIDENT FICA TAX REFUND CLAIM ****

Name _____
 Address _____

Indicate updates to name/address here:
 Updated Name: _____
 Updated Address: _____

My signature herewith affirms my acknowledgement and consent to participate in the refund claim for FICA taxes withheld from residency wages for the noted period during which I was enrolled in this medical residency program. Select **ONLY ONE** of the following:

I consent to the Social Security and Medicare tax (FICA) refund filed or to be filed on my behalf for **only noted years** indicated herein during which I was a resident. [Check the appropriate box(es), as applicable]

1996 []	1997 []	1998 []	1999 []	2000 []
2001 []				

I do not consent.

Name of Medical Resident Programs:

For each year of consent, I represent that (1) I have not claimed and will not claim refund or credit from the IRS for such over collected FICA taxes from wages paid for my performance of services as a medical resident, or, if I have, that claim has been rejected, (2) I did not receive a FICA tax refund or credit, due to earnings in excess of the Social Security wage base on my Federal Income Tax return (e.g. Form 1040), and (3) I understand that my Social Security earnings record will be corrected to reflect reduced wages as a medical resident for tax years for which I receive a refund. I understand that removing these wages could affect my eligibility for, or the amount of, future Social Security benefits.

_____ Date

_____ Signature

_____ Social Security Number **(Required)**

_____ Daytime phone number (In case we have questions)

_____ E-mail address **(Required)**

**MUST BE SENT BY E-MAIL OR FAX, OR BE POSTMARKED, NO LATER THAN
FEBRUARY 10, 2011.**

Please keep a copy of your signed consent form for your records. Return your signed consent form, along with any required legal documentation for name changes or death, using one of the following methods, to:

- E-mail at lvhnfica@deloitte.com
- Fax at: 866-914-0224
- Mail at: Lehigh Valley Health Network
c/o Deloitte Tax LLP
P.O. Box 60246
Philadelphia, PA 19102

NOTE: If your address as shown on this Consent Form is not current, provide your correct current address with this consent form. If you move after your consent form is submitted, and before you receive a refund check, such address corrections should be directed to Deloitte by one of the delivery methods listed above.

**Lehigh Valley Health Network
Frequently Asked Questions
About Medical Resident FICA Refund Claims**

I. General Information

1. Who is Deloitte Tax LLP (“Deloitte”)?

Deloitte is a professional service provider that is assisting Lehigh Valley Health Network with the medical resident FICA refund claim process. Much of the official correspondence from Lehigh Valley Health Network to you, and from you to Lehigh Valley Health Network, related to this claim, will be handled by and through Deloitte.

2. What are FICA taxes?

FICA stands for the Federal Insurance Contributions Act. FICA taxes consist of two separate taxes, social security and Medicare taxes that are paid on wages earned for services performed. Employers withhold and pay their employees’ share of the FICA taxes and also pay the employer share.

3. Why are FICA refunds being paid to medical residents and their employers?

Under an untested position that medical residents are excepted from FICA tax as *students* under Internal Revenue Code section 3121(b)(10), some employers (typically hospitals and medical schools) and individual taxpayers (medical residents) began filing FICA refund claims in the 1990’s. This exception is referred to as the *student exception* and may apply to a student at a school, college or university who is also an employee of that school, college or university.

As this position had not been applied to medical residents before and the IRS was not refunding such claims by asserting that medical residents were employees (and not students), there was considerable uncertainty as to whether the *student exception* would prevail. Lawsuits filed by institutions seeking to enforce FICA refund claims were vigorously fought by the Department of Justice, with mixed results. As the possibility of eventual FICA refund claim payments became more probable, Lehigh Valley Health Network began filing refund claims as well, starting with calendar year 1996 for the Lehigh Valley Hospital and starting with Calendar year 1999 for Lehigh Valley Hospital - Muhlenberg (earlier years at that time were closed to refund claims due to the expiration of the statute of limitations).

For those years that an employer filed a refund claim, the claim includes two parts; the first part is the employer’s FICA tax, and the second part is the employee’s FICA tax (for consenting medical residents only). In some cases, individual medical residents filed their own claim for the employee share of the FICA tax. The IRS held the claims in suspense because there was a dispute as to whether the student FICA exception applied. The IRS has made an administrative determination to accept the position that medical residents are excepted from FICA taxes for tax periods ending before April 1, 2005, when new IRS regulations went into effect.

4. Who is eligible to receive a refund?

Institutions that employed medical residents and individual medical residents are eligible to receive refunds if they are covered by timely filed FICA refund claims. Institutions can be covered under FICA refund claims they filed themselves. Individual medical residents can be covered under FICA refund claims they filed themselves or under claims filed by the institutions that employed them. These refund claims are subject to the same requirements that apply to all FICA refund claims including verification by the IRS of the amount of the claim and payment of interest.

5. What is the significance of April 1, 2005?

On April 1, 2005, new regulations regarding the student FICA exception became effective. One part of these regulations states that an employee who works 40 hours or more (full-time employee) for a school, college or university is not eligible for the student exception. This part of the regulations excludes medical residents from the student exception. If you participated in a medical residency program at Lehigh Valley Health Network on or after April 1, 2005, then you will receive future correspondence regarding the potential to participate in refund claims for those post-Regulation periods. Earlier this year, the United States Supreme Court heard a case involving the validity of the IRS's regulations regarding the student FICA exception and medical residents. Lehigh Valley Health Network will continue to monitor the legal developments for the post-Regulation periods.

6. How would this initiative impact my benefits from the Social Security Administration?

Whether an employee's social security benefits (either current or future) will be reduced on account of removing wages from his or her social security earnings record will depend on the employee's personal circumstances. A refund could have a detrimental effect upon disability, survivors, or retirement benefits that you, or your family, are receiving or may seek to receive in the future. If you want information about the effect on your social security benefits, you should contact SSA directly at 1-800-772-1213 (toll free). If you call or visit a Social Security office, please have this letter with you. It will help SSA answer your questions. You might want to review your social security record before and after your refund has been processed. You can use your current Social Security Statement or you can request a copy of your Social Security Statement at the SSA website: <http://www.ssa.gov/mystatement>.

7. If I do not consent, will my FICA wages be affected?

At this time, the IRS is indicating that residents who consent and obtain a refund are to receive a W-2c reporting reduced FICA wages. Recent IRS materials have not addressed whether **residents who do not consent** (and thus receive no refund) are to be similarly treated but imply that such social security earnings may not be impacted for non-consenting residents. Future IRS and/or SSA materials may clarify this issue.

8. What are the eligibility requirements for participating in LVHN's MR claim program?

As a former medical resident, you had the ability to file an individual claim with the IRS for periods before April 1, 2005. However, you still have the opportunity to elect to participate in the Lehigh Valley Health Network's MR claim program. If you elect to participate in the program, you will receive a FICA refund for only those years which Lehigh Valley Health Network as your employer (or former employer) filed claims for tax periods before April, 2005. The FICA refund claim period for Lehigh Valley Hospital is for those medical residents for who were paid stipends between January 1, 1996 and December 31, 2001. The FICA refund claim period for the Lehigh Valley Hospital - Muhlenberg is for those medical residents who were paid stipends between January 1, 1999 and December 31, 2001.

The Lehigh Valley Health Network did not file with the IRS a claim for tax periods after 2001 and up to the first quarter of 2005. If you timely filed a protective claim for the periods after 2001 and up to the first quarter of 2005, it is your responsibility to decide whether (or not) to claim the FICA refunds for these tax years with the IRS.

You are eligible to participate in Lehigh Valley Health Network's MR claim program if you have not already received a refund or credit for FICA taxes that were withheld from medical resident wages or if you filed an individual return claim on your own behalf for such FICA taxes and that claim is still pending with the IRS.

II. Refund Application Procedures

9. What must I do in order to be included in Lehigh Valley Health Network FICA refund claim for training that I received prior to April 1, 2005?

The letter included in this mailing provides detailed instructions on how to participate in Lehigh Valley Health Network refund claim. If you wish to participate please read the materials thoroughly, complete and sign the Consent Form, and return the signed Consent Form as indicated on its face. Reply options are, (1) e-mail, (2) fax, or (3) hardcopy mail.

10. If I consent, when will I get my money?

Residents who consent to participate in the refund claim should not expect to receive their refund check from Lehigh Valley Health Network until several months (or even more than a year) after consenting. This is because there are multiple procedural steps that must be undertaken by Lehigh Valley Health Network, and the government, after the consents are received and before Lehigh Valley Health Network is able to remit the refunds to the residents (i.e., filing final refund claims, review and processing by the government, and allocation of interest to individual residents).

11. What is the process that Lehigh Valley Health Network must follow in order for me to obtain my refund?

The IRS has instituted a process for all institutions that have pending refund claims to follow. Each claim must proceed through the following steps. It will take several months to complete this process and will be largely dependent upon how long the IRS

takes to review the Lehigh Valley Health Network refund claims for all such years. Once the IRS approves the MR claim(s), it is expected to take several months for the IRS to issue such refund checks to Lehigh Valley Health Network. Post claim administration work (e.g., allocating interest to the medical residents, issuing individual checks, and preparing Form W-2c) must then commence. Again, the entire process will take several months but we are optimistic that the process can be completed within the next 12 months.

III. Miscellaneous

12. Whom should I contact if I have questions regarding this initiative or to update my contact information?

Because each resident's personal tax situation is different, we encourage you to discuss questions about your particular situation with your tax preparer or other personal financial advisor. For general updates, please visit our website at www.lvhn.org/taxrefund. For general procedural questions on this initiative that are not answered through the attached frequently asked questions, you may contact Deloitte by the following methods:

- E-mail at lvhnfica@deloitte.com
- Fax at: 866-914-0224
- Toll-Free Telephone Mailbox at: 1-877-355-6080*
- Mail at: Lehigh Valley Health Network
c/o Deloitte Tax LLP
P.O. Box 60246
Philadelphia, PA 19102

* Your call will be answered within two (2) business days

13. Will I receive interest on my refund?

Yes. The IRS will pay statutory interest when refunding these taxes and you will receive your proportional share. Interest will generally be reported on Form 1099-INT as required by the IRS.

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Please note that until you hear from us otherwise, you will be personally responsible for keeping your address information up to date and the refund process may take more than a year to resolve. Failure to do so could cause any refund checks to you to be undeliverable, and ultimately returned to the U.S. Treasury.