Talking Points: Student FICA Exemption

- Enacted in 1935, this provision supports college students who work on campus by exempting them from paying FICA (Social Security and Medicare) taxes. This policy provides an important, indirect form of financial aid by excluding student “self-help” from the payroll tax and ultimately helps provide the United States with a well-educated labor pool.

- In 2011-12, more than 3.6 million students, 2.8 million undergraduate students and nearly 850,000 graduate students, worked at least one job on college campuses to help pay for school. These students have campus jobs because they need to work to pursue their education goals.

- The elimination of the student FICA exemption would, on average per year, impose a new tax on these undergraduates of approximately $536 and on the graduate students of approximately $1,100.

- Repeal of the student FICA exception would also have the effect of cutting college and university operating funds and financial aid resources, potentially resulting in increased tuition costs by adding an almost 8 percent new tax burden on college and university student payrolls, a significant new expense for many institutions.

- We believe that the student FICA exemption should be preserved as part of the broader system of federal financial aid.