

November 2, 1955

Dr Blackburn
6AE

IMPORTANT - PLEASE READ CAREFULLY

To All Residents

Income Tax Exemption for Residents

1. We have just received a letter from the District Director of Internal Revenue reversing the opinion given earlier this year which allowed tax exemption for salary received during 1954. This is now based upon the interpretation that salaries for residents (Fellows) are not grants but actual stipend for services rendered. This ruling would apply to all hospitals, public or private.
2. There is a slim possibility that further exploration with the tax officials might result in a favorable ruling for residents enrolled in the Graduate School, but we are strongly advised to begin the usual withholding from salaries for income tax purposes.
3. Withholding for income tax will begin again for resident physicians with the salary check to be issued on November 16, 1955. Mr. Peterson, Finance Officer, urgently requests that any residents who have had a change in the number of exemptions in the past year notify him at once, so that proper adjustments can be made in estimating withholding tax.
4. You will be responsible for that portion of your income tax for 1955 not withheld between the period March 13 and November 16, 1955.
5. The District Director also indicates that any resident who has actually received a refund for 1954 taxes based upon salary exemption, or any who have not been required to pay tax because of salary exemption here, will be required to correct their tax statement and make the required refund. It is advised that this be done immediately to avoid any additional penalties.
6. This turn of events is deeply regretted. Continued efforts will be made to secure a favorable decision, but it appears wisest to act upon the present ruling as a fait accompli.

A. FALK, M. D.
Director, Professional Services