

## FAQ: Summer Employment Policy and its effect on Financial Aid

### What is the YLS Summer Employment Policy?

As a need based aid institution, YLS students are expected to contribute towards the cost of their education through summer employment. The determination of the expected summer contribution for continuing students is based on the following steps:

1. The calculation of gross earnings based on the weekly rate of pay applied to the number of weeks worked-
  - a. *Gross earnings for students who split compensated employment between two employers will be derived by calculating an average weekly income for all weeks worked then applied to the actual number of weeks worked up to the 12-week maximum.*
  - b. *Gross earnings for students who work beyond twelve weeks will be derived by calculating an average weekly income for all weeks worked applied to the maximum of 12-weeks only.*
2. The calculation of net earnings based on a 30% adjustment to the gross to account for federal, state, local and FICA taxes;
3. The exclusion of the first \$7,500 of net summer earnings to be retained by the student to meet summer living expenses;
4. Net income in excess of the \$7,500 exclusion will be considered as available to meet academic year expenses and will be termed the summer employment contribution.
5. Summer contributions of \$2,500 are imputed to students in all classes who choose not to work during the summer.

### How does participation in SPIF affect the summer contribution?

Students who participate in the Summer Public Interest Fellowship (SPIF) do not have a summer contribution as their SPIF grant is less than or equal to the \$7,500 exclusion.

### How does it really work?

*Example 1:* A student in a firm position earns \$3100 per week for 10 weeks:

$$\begin{aligned} \$3100 \times 10 &= \$31,000 \text{ (gross income)} \\ \$31,000 - 30\% (\$9,300) &= \$21,700 \text{- net income} \\ \$21,700 - \$7,500 \text{ (living allowance)} &= \$14,200 \text{ (summer earnings contribution)} \end{aligned}$$

*Example 2:* A student works in a firm position earns \$3,100 per week for 14 weeks:

$$\begin{aligned} \$3,100 \times 12 \text{ weeks (only calculate on maximum of 12 weeks)} &= \$37,200 \\ \$37,200 - 30\% (\$11,160) &= \$26,040 \text{- net income} \\ \$26,040 - \$7,500 \text{ (living allowance)} &= \$18,540 \text{ (summer earnings contribution)} \end{aligned}$$

*Note that because of the 12-week maximum calculation, 2 weeks (or \$6,200) of the student's actual gross pay is not even factored into the calculation.*

*Example 3:* A student splits their summer employment by working in a firm position earning \$3100/week for 7 weeks and then spends 7 weeks working as an RA at \$300/week

$$\begin{aligned} (\$3100 \times 7) + (\$300 \times 7) &= \$23,800 \\ \$23,800 / 14 \text{ weeks} &= \$1,700 \text{ average weekly pay for all weeks worked due to split employment} \\ \$1,700 \times 12 \text{ weeks (only calculate maximum of 12 weeks)} &= \$20,400 \text{ - calculated gross income} \\ \$20,400 - 30\% (\$6,120) &= \$14,280 \text{ - net income} \\ \$14,280 - \$7,500 \text{ (living allowance)} &= \$6,780 \text{ (summer earnings contribution)} \end{aligned}$$

*Note – even with taking an average of the high and low paying weeks, the calculated gross income of \$20,400 is less than the actual gross income earned of \$23,800.*

*Example 4:* A student splits their summer employment by working in a firm position earning \$3100/week for 8 weeks and at an unpaid public interest position for 6 weeks.

$$\begin{aligned} (\$3100 \times 8) - (\$625 \times 6) &= \$21,050 \\ \$21,050 / 14 \text{ weeks} &= \$1,504 \text{ average weekly income} \\ \$1,504 \times 12 \text{ (only calculate maximum of 12 weeks)} &= \$18,048 \\ \$18,048 - 30\% (\$5,414) &= \$12,634 \\ \$12,634 - \$3,750 \text{ (additional living allowance)} &= \$8,884 \text{ (summer earnings contribution)} \end{aligned}$$

*Note – by giving an allowance for the weeks working at the unpaid position, the calculated gross income of \$18,048 is less than the actual gross income earned of \$24,800. **This allowance is only applicable if working no more than 8 weeks at a firm.***

**How will having a summer contribution impact my financial aid?**

Based on our need-based aid formula, an increase in summer earnings will correspondingly decrease grant/scholarship support. However, that only happens if all other elements of your contribution stay the same. If your own asset contribution was to decrease (as happens with most 3Ls when we assume assets are exhausted) or the parent contribution decreases (as it is reassessed each year) then the addition of a summer contribution would not be a dollar for dollar decrease of the grant.

It is important to recognize that this does not mean that you lose actual money particularly given the fact that you should have savings available from your summer employment and that you can make budgetary adjustments in your overall cost of living during the academic year to compensate (i.e. we currently budget a \$17,000 living allowance for the year- if you can live on less than that the reduction in grant would not affect you.).

**How do I report my summer employment?**

There is a series of questions on the FFAST application which asks you to report Summer 2017 employment plans detailing the name of the employer, type of work, number of weeks employed and weekly earning. SPIF recipients should still complete this section with all information indicating \$0 for direct weekly earnings.

**If I have questions on if I will be affected by summer employment, what should I do?**

If you have any questions on how accepting a summer position will affect your aid award, you can make an appointment with the financial aid office to discuss. We would be happy to review your options or project if and how the employment impacts your financial aid. Contact us at [financialaid.law@yale.edu](mailto:financialaid.law@yale.edu) to set up a time to talk.

**What do I do if my employer is deducting more than 30% in federal, state, or local taxes?**

Because the tax rate is normally based on an annualized projection for each pay period, some employers will withhold too much in federal taxes when employed at the company for a shorter period of time (i.e. summer only). To avoid the higher tax deduction, we suggest you speak to your employer's HR office about adjusting the federal tax withholding since you will only be employed there for a shorter period of time. You can find more details about this procedure in the IRS Publication 15-A, page 24 (<https://www.irs.gov/pub/irs-pdf/p15a.pdf>).