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 is based on the weekly rate of pay applied to the number of weeks worked. Income earned for up to 12 weeks of work is subject to this calculation.
   a. Gross earnings for students who work beyond twelve weeks will be based on 12 weeks only.
   b. For students who split compensated employment between two employers, gross earnings will be derived by calculating an average weekly income for all weeks worked that is applied to the actual number of weeks worked up to the maximum of 12 weeks.
2. We will calculate the actual tax deductions based on the state where the employer is located, and will subtract the calculated taxes from the gross earnings.
3. We will then deduct $8,000 for summer living expenses from the net income (after the tax adjustment).
4. Finally, we will deduct an additional 15% from the net income to allow an additional savings component, which will be retained by the student.
5. The remaining income will be the student’s summer income contribution. In most cases, the summer income contribution is not paid to the law school, rather it is retained by the student to pay for part of the cost of living during the academic year.

How does it really work?
Example 1: A student in a firm position located in NY earns $3,500 per week for 10 weeks:
Step 1: $3,500 X 10 = $35,000 (gross income)
Step 2: $35,000 – $9,130 (tax allowance) = $25,870 (remaining income)
Step 3: $25,870 – $8,000 (summer living allowance) = $17,870 (net income)
Step 4: $17,870 – $2,680.50 (15% savings allowance) = $15,189.50
Step 5: $15,189.50 Summer Income Contribution

Example 2: A student works in a firm position located in CA earns $3,500 per week for 14 weeks:
Step 1: $3,500 X 12 weeks (only calculate on maximum of 12 weeks) = $42,000 (gross income)
Step 2: $42,000 – $10,763 (tax allowance) = $31,237 (remaining income)
Step 3: $31,237 – $8,000 (summer living allowance) = $23,237 (net income)
Step 4: $23,237 - $3,485.55 (15% savings allowance) = $19,751.45
Step 5: $19,751.45 Summer Income Contribution

Note – because of the 12-week maximum calculation, 2 weeks (or $7,000) of the student’s actual gross pay is not factored into the calculation.

Example 3: A student splits their summer employment by working in a firm position located in NY earning $3,500/week for 7 weeks:
and then spends 7 weeks working as a Research Assistant in CT at $300/week:
Step 1: ($3,500 x 7) + ($300 X 7) = $26,600 (gross income)
Step 2: $26,600 / 14 weeks = $1,900 average weekly pay for all weeks worked due to split employment
Step 3: $1,900 X 12 weeks (only calculate maximum of 12 weeks) = $22,800 (calculated gross income)
Step 4: $22,800 – $5,878.70 (tax allowance)) = $16,921.30 – (remaining income)
Step 5: $16,921.30 – $8,000 (summer living allowance) = $8,921.30 (net income)
Step 6: $8,921.30 – $1,338.20 (15% savings allowance) = $7,583.11
Step 7: $7,583.11 Summer Income Contribution

Note: Even with taking an average of the high and low paying weeks, the calculated gross income of $22,800 is less than the actual gross income earned of $26,600.

Example 4: A student splits their summer employment by working in a firm position located in DC earning $3,500/week for 8 weeks:
and at an unpaid public interest position located in TX for 4 weeks.
Step 1: ($3,500 x 8) – ($666.66 x 4) = $25,333.36 (calculated gross income)
Step 2: $25,333.36 – $6,300.50 (tax allowance) = $19,032.86 (remaining income)
Step 3: $19,032.86 - $8,000 (summer living allowance) = $11,032.86 (net income)
Step 4: $11,032.86 - $1,654.92 (15% savings allowance) = $9,377.93
Step 5: $9,377.93 Summer Income Contribution

Note: Tax allowance is based on state with the highest tax rate. In this example, NY has a higher tax rate than CT.
Note – by giving an allowance for the weeks working at the unpaid position, the calculated gross income of $25,333.36 is less than the actual gross income earned of $28,000. This allowance is only applicable if working no more than 8 weeks at a firm.
Note: Tax allowance is based on state with the highest tax rate. In this example, DC has a higher tax rate than TX.

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 scholarship/stipend support. However, that only happens if all other elements of your contribution stay the same. If your own asset contribution decreases (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.

How do I report my summer employment?
There is a series of questions on the FAAST application which asks you to report your summer employment plans detailing the name of the employer, the state where the employer is located, the type of work, the number of weeks employed, and weekly earnings. SPIF recipients should still complete this section with all information indicating $0 for direct weekly earnings. In addition, students will be required to upload their employer letter confirming the number of weeks employed and the gross earnings per week.

If I have questions about summer employment and the impact, 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 how the employment will impact your financial aid.

What do I do if my employer is deducting more in federal, state, or local taxes than the financial aid office will assess?
Because the tax rate is normally based on an annualized projection for each pay period, some employers will withheld more 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 few weeks during the summer. 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).

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 $8,000 summer income living allowance. Students are not eligible for SPIF funding if also working at a firm.

Will I have a summer income contribution if I choose not to work during the summer?
A summer income contribution of $2,500 will be assessed to students who choose not to work during the summer.