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NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States* v. *Detroit Timber & Lumber Co.,* 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

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MAYO FOUNDATION FOR MEDICAL EDUCATION AND RESEARCH ET AL. *v.* UNITED STATES

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 09–837. Argued November 8, 2010—Decided January 11, 2011

Petitioners (hereinafter Mayo) offer residency programs to doctors who have graduated from medical school and seek additional instruction in a chosen specialty. Those programs train doctors primarily through hands-on experience. Although residents are required to take part in formal educational activities, these doctors generally spend the bulk of their time—typically 50 to 80 hours a week—caring for patients. Mayo pays its residents annual "stipends" of over $40,000 and also provides them with health insurance, malpractice insurance, and paid vacation time.

The Federal Insurance Contributions Act (FICA) requires employees and employers to pay taxes on all "wages" employees receive, 26 U. S. C. §§3101(a), 3111(a), and defines "wages" to include "all remuneration for employment," §3121(a). FICA defines "employment" as "any service . . . performed . . . by an employee for the person employing him," §3121(b), but excludes from taxation any "service performed in the employ of . . . a school, college, or university . . . if such service is performed by a student who is enrolled and regularly attending classes at [the school]," §3121(b)(10). Since 1951, the Treasury Department has construed the student exception to exempt from taxation students who work for their schools "as an incident to and for the purpose of pursuing a course of study." 16 Fed. Reg. 12474. In 2004, the Department issued regulations providing that "[t]he services of a full-time employee"—which includes an employee normally scheduled to work 40 hours or more per week—"are not incident to and for the purpose of pursuing a course of study." 26 CFR §31.3121(b)(10)–2(d)(3)(iii). The Department explained that this analysis "is not affected by the fact that the services . . . may have an educational, in-

structional, or training aspect." *Ibid.* The rule offers as an example a medical resident whose normal schedule requires him to perform services 40 or more hours per week, and concludes that the resident is not a student.

Mayo filed suit asserting that this rule was invalid, and the District Court agreed. It found the full-time employee rule inconsistent with §3121's unambiguous text and concluded that the factors governing this Court's analysis in *National Muffler Dealers Assn., Inc.* v. *United States*, 440 U. S. 472, also indicated that the rule was invalid. The Eighth Circuit reversed. Applying *Chevron U. S. A. Inc.* v. *Natural Resources Defense Council, Inc.*, 467 U. S. 837, the Court of Appeals concluded that the Department's regulation was a permissible interpretation of an ambiguous statute.

Held: The Treasury Department's full-time employee rule is a reasonable construction of §3121(b)(10). Pp. 6–15.

(a) Under *Chevron*'s two-part framework, the Court first asks whether Congress has "directly addressed the precise question at issue." 467 U. S., at 842-843. Congress has not done so here; the statute does not define "student" or otherwise attend to the question whether medical residents are subject to FICA. Pp. 6–7.

(b) The parties debate whether the Court should next apply *Chevron* step two or the multi-factor analysis used to review a tax regulation in *National Muffler*. Absent a justification to do so, this Court is not inclined to apply a less deferential framework to evaluate Treasury Department regulations than it uses to review rules adopted by any other agency. The Court has "[r]ecogniz[ed] the importance of maintaining a uniform approach to judicial review of administrative action." *Dickinson* v. *Zurko*, 527 U. S. 150, 154. And the principles underlying *Chevron* apply with full force in the tax context. *Chevron* recognized that an agency's power "'to administer a congressionally created . . . program necessarily requires the formulation of policy and the making of rules to fill any gap left . . . by Congress.'" 467 U. S., at 843. Filling gaps in the Internal Revenue Code plainly requires the Treasury Department to make interpretive choices for statutory implementation at least as complex as the ones made by other agencies in administering their statutes.

It is true that the full-time employee rule, like the rule at issue in *National Muffler,* was promulgated under the Department's general authority to "prescribe all needful rules and regulations for the enforcement" of the Internal Revenue Code. 26 U. S. C. §7805(a). It is also true that this Court, in opinions predating *Chevron,* stated that it owed less deference to a rule adopted under that general grant of authority than it would afford rules issued pursuant to more specific grants. See *Rowan Cos.* v. *United States*, 452 U. S. 247, 253; *United*

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States v. *Vogel Fertilizer Co.*, 455 U. S. 16, 24. Since then, however, the Court has found *Chevron* deference appropriate "when it appears that Congress delegated authority to the agency generally to make rules carrying the force of law, and that the agency interpretation claiming deference was promulgated in the exercise of that authority." *United States* v. *Mead Corp.*, 533 U. S. 218, 226–227. *Chevron* and *Mead* provide the appropriate framework for evaluating the full-time employee rule. The Department issued the rule pursuant to an explicit authorization to prescribe needful rules and regulations, and only after notice-and-comment procedures. The Court has recognized these to be good indicators of a rule meriting *Chevron* deference, *Mead*, 533 U. S., at 229–231. Pp. 7–12.

(c) The rule easily satisfies *Chevron*'s second step. Mayo accepts the Treasury Department's determination that an individual may not qualify for the student exception unless the educational aspect of his relationship with his employer predominates over the service aspect of that relationship, but objects to the Department's conclusion that residents working more than 40 hours per week categorically cannot satisfy that requirement. Mayo argues that the Treasury Department should be required to engage in a case-by-case inquiry into what each employee does and why he does it, and that the Department has arbitrarily distinguished between hands-on training and classroom instruction. But regulation, like legislation, often requires drawing lines. The Department reasonably sought to distinguish between workers who study and students who work. Focusing on the hours spent working and those spent in studies is a sensible way to accomplish that goal. The Department thus has drawn a distinction between education and service, not between classroom instruction and hands-on training. The Treasury Department also reasonably concluded that its full-time employee rule would "improve administrability," 69 Fed. Reg. 76405, and thereby "has avoided the wasteful litigation and continuing uncertainty that would inevitably accompany [a] case-by-case approach" like the one Mayo advocates, *United States* v. *Correll*, 389 U. S. 299, 302. Moreover, the rule reasonably takes into account the Social Security Administration's concern that exempting residents from FICA would deprive them and their families of vital social security disability and survivorship benefits. Pp. 12–15.

568 F. 3d 675, affirmed.

ROBERTS, C. J., delivered the opinion of the Court, in which all other Members joined, except KAGAN, J., who took no part in the consideration or decision of the case.