

CLIENT ALERTS

Labor and Employment – 6th Circuit Court of Appeals Holds That Severance Pay Is Not Wages Subject To FICA Tax

10.8.2012

October 8, 2012

In this issue:

6th Circuit Court of Appeals Holds That Severance Pay Is Not Wages Subject To FICA Tax

Congress imposed the Federal Insurance Contribution Act (FICA) tax on employee "wages" to fund Social Security and Medicare programs. The current FICA tax rate is 13.3%, of which 7.65% is paid by the employer and 5.65% by the employee.

In *United States of America v. Quality Stores, Inc.*, decided September 7, 2012, the 6th Circuit Court of Appeals ruled that severance payments made by the employer to involuntarily terminated employees due to a reduction in the workforce are not subject to FICA tax.

To view the complete publication, click the link under Related Files.

Related People

James S. Rosenfeld
Shareholder

Related Services

Employment Litigation
Labor and Employment