

## Supreme Court Holds that Severance Payments are Subject to FICA

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In rejecting the decision of the U.S. Court of Appeals for the Sixth Circuit, the U.S. Supreme Court recently ruled unanimously in favor of the IRS and held in *United States v. Quality Stores, Inc.* that severance payments for involuntary terminations of employment are generally subject to Federal Insurance Contributions Act (FICA) taxes (i.e., Social Security and Medicare taxes). In taking a broad view of the FICA statute, the Court concluded that severance payments are “remuneration for employment” within the meaning of the FICA statute and in consideration for employment. The Court also ruled that the payments made by Quality Stores, which were based on individuals’ positions with the company and their years of service, were specifically tied to their employment, and thus, wages for purposes of FICA. *United States v. Quality Stores, Inc.*, No. 12-1408 (U.S. Mar. 25, 2014).