

TAX ALERT

*Relevant Alerts
Direct to Your Inbox*

March 26, 2014

F.I.C.A Refunds From Severance Payments

Our Tax Alert of January 8, 2014 discussed potential refund claims to recover F.I.C.A taxes paid on severance payments made to former employees. The United States Supreme court issued a unanimous opinion on March 24, 2014 in which it determined that payments to laid off workers are subject to both social security and Medicare taxes. The Supreme Court, which sided with the government, held that the severance payments were related to individuals' employment and were thus wages under the Federal Insurance Contributions Act. The ruling reversed the decision in *U.S. v. Quality Stores, Inc.*, 956F 3d 605 (6th Cir. 2012).

Because the Supreme Court decision upheld the government's position, businesses, including tax-exempt organizations are not entitled to refunds of F.I.C.A. taxes paid on severance payments and the filing of refund claims for such payments made for 2010 or any subsequent year by April 15, 2014 or later deadline is not required.

Please contact Rich Ruvelson, Tax Principal at rruvelson@greenhassonjanks.com or 310.873.1675 or Farshad Yashar, Tax Partner at fyashar@greenhassonjanks.com or 310.873.1619 for assistance or with any questions you might have. &

Copyright © 2014 Green Hasson & Janks LLP. All rights reserved. An independent member of HLB International, a worldwide network of accounting firms and business advisors.

The information presented is only of a general nature, intended simply as background material, is current only as of its indicated date, omits many details and special rules and accordingly cannot be regarded as legal or tax advice. This material is not intended to constitute a complete analysis of all tax considerations. Internal Revenue Service regulations generally provide that for the purpose of avoiding United States federal tax penalties, a taxpayer may rely only on formal written opinions meeting specific regulatory requirements. This material does not meet those requirements. Accordingly, this material was not intended or written to be used, and a taxpayer cannot use it, for the purpose of avoiding United States federal or other penalties or of promoting, marketing or recommending to another party any tax-related matters.

This publication is issued periodically to keep Green Hasson Janks clients and other interested parties informed on current tax developments that may affect or otherwise be of interest to them. To update your e-mail address or remove yourself from future tax notifications, please send an e-mail to alerts@greenhassonjanks.com.