

Certain Severance Benefits Are Not Subject to FICA Payroll Taxation: Sixth Circuit Denies Petition for En Banc Rehearing of Its Holding in Quality Stores

January 15, 2013 | Client Update

On January 4, 2013, the Sixth Circuit denied the U.S. government's petition for en banc review of its September 2012 decision in *United States v. Quality Stores* that certain severance payments qualified as supplemental unemployment compensation benefits ("SUB payments") and therefore did not constitute "wages" for purposes of Social Security and Medicare taxation under the Federal Insurance Contribution Act (FICA). This case may have a significant impact on companies and individual taxpayers alike, given the number of businesses that have downsized their workforces in recent years.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Jeffrey P. Crandall

+1 212 450 4880
jeffrey.crandall@davispolk.com

Edmond T. FitzGerald

+1 212 450 4644
edmond.fitzgerald@davispolk.com

Kyoko Takahashi Lin

+1 212 450 4706
kyoko.lin@davispolk.com

Michael Mollerus

+1 212 450 4471
michael.mollerus@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

Related materials

[Read the full update](#)