



Recent Court Case Provides Potential FICA Tax Refunds on Certain Severance Payments

March 29, 2010: Late last month a Michigan Federal District Court ruled that severance payments that were not connected to the receipt of state unemployment benefits and that were partially paid in a lump sum were not wages subject to Social Security and Medicare tax because they fell within the exclusion for supplemental unemployment benefits under IRC 3402(o)(2). This ruling provides the potential for FICA tax refunds for companies that made severance payments relating to layoffs or closings since 2006.

The deadline for filing for protective refunds for these types of severance payments **made in 2006 is April 15, 2010**. Protective refund claims can also be filed for payments made in 2007 through 2009.

If your company has made significant severance payment to employees from 2006 through 2009, please contact your GBQ tax representative to discuss this potential opportunity.