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United States v. Quality Stores, Inc. The outcome of this case will clarify the taxable treatment of certain severance payments under the Federal Insurance Contribution Act (FICA).

Feb. 27, 2014

In January this year, the United States Supreme Court heard oral arguments in United States v. Quality Stores, Inc. The outcome of this case will clarify the taxable treatment of certain severance payments under the Federal Insurance Contribution Act (FICA).

Many employers have previously filed protective claims in order to extend open years for statute of limitation/potential refund purposes. Because of a four year time frame for claims, the 2010 tax year will expire on April 15, 2014 for FICA refund purposes, and employers should review whether a protective claim should be filed for 2010 before that deadline.

It is expected that the Supreme Court will rule on this case during the summer of 2014, according to national taxation firm [Ryan](#). If the case is decided in the taxpayers favor, it is likely the Internal Revenue Service (IRS) will issue guidance at that time pertaining to the requisite refund process for allowable claims.

In a separate case that the Supreme Court heard in June 2013, the Court issued its decision in United States v. Windsor and struck down the Defense of Marriage Act (DOMA). Although this decision resulted in the equalization of the tax treatment of same-sex couples for federal purposes, individual states continue to clarify the state tax treatment of same-sex couples.

Ryan advises that employers should continue to monitor state updates and guidance regarding the tax treatment of certain same-sex marriage benefits as state

pronouncements, legislation, and court decisions will continue to alter requirements

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