

SESSION 2: TAX
DATE: THURSDAY, FEBRUARY 22
TIME: 1:30 – 3:00 PM

The Sixth Circuit Splits from the Eighth Circuit on Taxability of Early Retirement Payments*

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ABSTRACT: The Court of Appeals for the Sixth Circuit recently decided a case involving the tax treatment of payments made to tenured faculty for the purpose of early retirement. Specifically at issue was whether such payments constitute “wages” for purposes of the Federal Insurance Contributions Act (FICA). Although a case of first impression for the Sixth Circuit, a similar issue came before the Eighth Circuit Court of Appeals in 2001, which held that the payments were not wages and therefore not subject to FICA.¹ However, in a departure from the Eighth Circuit, the Sixth Circuit held the payments were wages subject to FICA.

* The full text of this paper is available online by going to http://aaahq.org/meetings/2007SW_program.htm and clicking on the link.