

180.4 - Individuals Who Receive Disability Payments

(Rev. 30, 09-05-03)

A person receiving disability payments from an employer is considered employed if such payments are subject to taxes under the Federal Insurance Contributions Act (FICA).

Employer disability payments are subject to FICA tax for the first 6 months of disability after the last calendar month in which the employee worked for that employer.

EXAMPLE

Adam Green stopped working because of disability in December 1987 at age 66. His employer began paying him disability payments as of January 1988. Since sick pay is taxed under FICA for 6 months after the last month in which the employee worked, Medicare is the secondary payer through June 1988. Beginning with July 1988, Medicare becomes the primary payer, as the sick payments are no longer considered wages under FICA.