Fact Sheet 125
Rev. July 2026

Unemployment Insurance Agency

Severance Pay: What You Need to Know

An explanation of severance pay and how it can affect your unemployment benefits

What is severance pay?

Severance pay is a payment paid by an employer to an employee who is separated from the job.

- Severance pay is a type of earning (remuneration) and can affect a claimant's benefit payment.

There are three main types of severance pay:

- Lump Sum (Not Allocated): You get one payment, and it's not linked to any specific period.
- Lump Sum (Allocated): You get one payment, but it's meant to cover certain weeks or months.
- Salary Continuation: You're paid in smaller amounts over time — weekly, bi-weekly, or monthly — like regular paychecks.

Do I need to tell Unemployment Insurance Agency (UIA) about my severance?

Yes — if you're getting severance now or expect to get it after you file your claim.

- If you have already received all your severance or it was allocated for a period before your claim starts, you don't need to report it.

How do I report my severance pay?

Severance payments are considered earned income and must be reported to the UIA to prevent over payment of benefits.

- To inform the UIA of your severance payments you will report your gross amount of that payment(s) while filing the claim and certifying for benefits.
- If you have documentation from your employer, submit it to UIA. The documentation can help to determine how the severance payment will impact your benefits.



Gross earnings are the payment amount before any deductions such as taxes or other adjustments.

UIA is an equal opportunity employer/program. Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.

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How does severance pay impact my benefits?

- **Lump Sum (Not Allocated):**
  If you get a one-time severance payment and it's *not* assigned to any specific weeks; your benefits are only reduced in the week you receive the payment.
- **Lump Sum (Allocated):**
  If the lump sum is assigned to specific weeks, your benefits will be reduced during those weeks.
- **Severance Paid Over a Period Time (Salary Continuation):**
  If severance is paid weekly, bi-weekly, or monthly (like regular paychecks), your benefits are reduced in each week you receive payment unless the employer assigns those payments to different weeks.

What to expect

- Check MiUI regularly. Your severance pay will be reviewed by UIA to determine how your benefits will be affected. You will receive a determination once the review is complete.
- You may receive communications from UIA by mail, online or by phone requesting additional information about your claim. **Respond by the due date provided in the communication. Failure to respond on time may result in the delay or denial of your benefits.**

Need more help?

Ask Online	**Chat with us**	**Meet with us**	**Talk with us**
UIA's Chatbot at Michigan.gov/UIA can answer many questions	On your MiUI account Monday through Friday 8 a.m. to 4:30 p.m.	Schedule an in-person, phone, or virtual meeting at Michigan.gov/UIA.	1-866-500-0017, Monday through Friday. TTY service: 1-866-366-0004.

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