

TY&E Vacation Recovery FAQ

This week, employees began receiving letters outlining the details of how they were impacted by the vacation adjustment. The following are a few frequently asked questions about the letters and the impact.

Q. Do I have to file an amended tax return because of this issue?

A. No, employees actually received and paid taxes on the inflated vacation rates in 2008. Therefore, the previous tax paid was correct. The 2009 recoveries will be taken from gross pre tax earnings, and will thereby reduce taxable income by the equivalent amount paid in 2008. The overall impact is a wash for 2008 and 2009 tax purposes.

Furthermore, we have corresponded with members from the IRS, our internal tax department, and an independent tax lawyer as requested by the Organization's leadership team. The handling has been confirmed in compliance with tax code, and no further action is required on the part of the employees.

Q. Why is the vacation rate, on my letter, higher than the vacation rate showing on my 816?

A. All employees received lump sum vacation rate adjustments last year. The payments were identified as a V8 payment on your 816. These payments were makewhole adjustments for vacation that had already been used in 2008. V8 payments were made on June 30, August 15 and August 31 of 2008 (varied by craft). All unused vacation was then paid at the higher rate for the remainder of the year. To view those V8 payments, you will need to rerun your 816's for the appropriate pay period. Since the V8 payment for the UTU back pay project was handled in a separate pay period, you can run that 816 by putting 2008 and "RG" in the pay period field.

In some cases, employees used all of their vacation prior to the V8 adjustment. Therefore, they only received the lump sum makewhole vacation adjustment. They did not receive vacation pay at the new rate because no vacation days were remaining.

In order to verify that your vacation rate is correct, you must take the sum total of all of your V8 payments and divide that number by the total number of vacation days taken in 2008. Adding that number to your original vacation rate will give you the actual 2008 vacation rate. That number should be reflected in your letter.

The formula is as follows:

(Original Daily Vacation Rate paid in 2008) + (V8's divided by Total Vacation Days)

Q. Why doesn't my W-2 show the same earnings reflected in the letter?

- A. The 1/52nd vacation rate calculation generally includes all compensation in association to working in the TYE craft. However, there are some items that are not included. Those items are non-taxable items, such as meals at the away from home terminal, mileage reimbursement claims etc... Also not included would be any former BN UTU Productivity Fund payments, former Santa Fe BLET ICP or any bonuses in association to temporary transfer work or relocation allowances.

Also, W-2's are based off of earnings actually received between January 1 and December 31 of each year. Vacation rate calculations are based on pay period 01 to pay period 24 earnings, even though pay period 24 earnings are not actually received by the employees until the following year.

Therefore the W-2 is not an accurate indicator of earnings used for the vacation rate calculation.

If you would like further assistance in understanding the details and your individual impact please contact Compensation Systems through the VRU.