

## 300 Tax Statements

### 300.05 General Information

The U.S. Railroad Retirement Board (RRB) issues tax statements to beneficiaries who receive taxable Railroad Retirement Act (RRA) annuity benefits or Railroad Unemployment Insurance Act (RUIA) benefits. The Taxation Operations Manual (TOM) only discusses RRB RRA tax statements. RRB RUIA tax statements are not discussed in TOM 300 or in any other section of TOM. For information concerning RRB RUIA tax statements, refer to DPOM/[FOM Section 135](#). Therefore, any reference in TOM 300 to “RRB tax statements” refers to RRB RRA tax statements.

The RRB will issue RRA tax statements to those beneficiaries who received (were paid), repaid, or had U.S. Federal taxes withheld from railroad retirement act annuity benefits. The RRB will follow the rules and regulations established by the United States Internal Revenue Service (IRS) and the Internal Revenue Code (IRC). Each year, we send the RRA tax statements (includes tax statement mailers) to the IRS for review and approval concerning the format and written content shown on the tax statements.

TOM 300.05 provides “general” information concerning the items found on the Railroad Retirement Act (RRA) tax statements and various tax-related topics or subjects associated with RRA payments, repayments and tax withholding. If there are any additional reference sources cited in this section, you should refer to those sources for more detailed information. In addition, you should refer to [TOM 20](#), RRA Taxation Guidelines and Principles, for the underlying rules that regulate RRA taxation programs and tax examiner procedures that cover tax accounting, payments, repayments, tax withholding, and tax statement reporting issues.

**Payment** – A railroad annuity may include one, more or all of the following annuity component payments depending on age, type of annuity, and eligibility requirements:

- Social Security Equivalent Benefit (SSEB) portion of Tier 1,
- Non-Social Security Equivalent Benefit (NSSEB) portion of Tier 1,
- Tier 2,
- Vested Dual Benefit (VDB),
- Supplemental Annuity.

NOTE: The tier 1 annuity component may be composed of one or two portions depending on the beneficiary's age and type of annuity. The two portions of tier 1 are:

- SSEB portion of tier 1, and
- NSSEB portion of tier 1.

Therefore, a beneficiary may receive a tier 1 that is all SSEB, all NSSEB, or a combination of both SSEB and NSSEB.

NOTE: The cumulative total of the NSSEB portion of tier 1 and tier 2 payments is referred to as the "Contributory Amount Paid." The contributory amount paid is shown in Item 4 of the Form RRB-1099R tax statement. Refer to [TOM 135.10](#), Paid Amounts (Pays), for information on payments.

**Repayment** – A repayment or repaid is the return or recovery of an amount previously paid. We use the term "repayment" and "repaid" interchangeably. We report taxable repayments on the tax statements. We do not report nontaxable repayments on the tax statements. There are current year repayments (repayments made in the same year as the payment); prior year repayments (repayments made in the current year for payments that were made in a prior year); or other year repayments (repayments made in the current year for payments that were made in prior years or unknown years). Refer to [TOM 135.15](#), Repaid Amounts (Repays), and [TOM 330](#), Repayments on Tax Statements, for information on repayments and for cash refunds for overpayments involving current year tax withholding

**Tax Withholding** – The RRB applies U.S. Federal income tax withholding to railroad annuity payments. The tax withholding is computed and based on citizenship and residence. For U.S. citizens, we consider marital status, tax withholding allowances, and additional tax withholding amount requests. For nonresident aliens (NRAs), we consider tax treaty exemption claims. Any election or change in tax withholding is dependent on the type of tax withholding election form(s) completed by the beneficiary and filed with the RRB. **A tax withholding amount is deducted from the gross taxable payment. Therefore, a tax withholding amount is considered a taxable payment. Taxable payments must be large enough to sustain deductions for tax withholding (i.e., tax withholding amounts cannot be greater than the taxable portions of gross payments).** For monthly railroad payments for citizens and NRAs, the tax withholding amount will always be less than the taxable monthly payment. For accrual railroad payments for citizens only, the tax withholding amount will be less than or equal to the taxable accrual payment. Taxes are withheld by railroad annuity component (SSEB, NSSEB, tier 2, VDB and supplemental annuity). Taxes withheld from railroad annuity payments are deposited at the U.S. Treasury into either the U.S. citizen tax deposit account (if

the beneficiary is taxed under U.S. citizen rules) or the nonresident alien tax deposit account (if the beneficiary is taxed under NRA rules). Taxes actually withheld and deposited during the year are reported on tax statements for that year, associated on IRS records by each individual's or each entity's U.S. taxpayer identifying number (i.e., social security number, individual taxpayer identification number, or employer identification number). Generally, taxable payments shown on all of the beneficiary's tax statements for the year is equal to or greater than the total tax withholding amounts shown on the same tax statements. As a result, there is a taxable payment that corresponds to the tax withholding amount on the tax statement and that payment must be at least equal to the tax withholding amount. In extremely rare circumstances tax statements may show tax withholding amounts without taxable payments. Please refer to [TOM 200](#), Tax Withholding, for information concerning U.S. citizen tax withholding, mandatory U.S. citizen tax withholding, nonresident alien (NRA) tax withholding, tax treaties, and appropriate tax withholding election forms. Please refer to [TOM 325](#), Corrected Tax Statements, for information concerning increasing or decreasing tax withholding amounts on corrected tax statements.

**Tax Refunds** - We issue refund payments of current year U.S. citizen and NRA income taxes. These payments are called, tax refunds. A refund of current year U.S. citizen rule income taxes withheld from RRA payments is issued only if an error is involved and if a specific request has been received. We issue refund payments of current year NRA rule income taxes withheld from RRA payments only if an error is involved. A request for the NRA tax refund is not required. Errors in tax withholding that require a tax refund involve the over-withholding of taxes due to not processing tax withholding election forms or tax treaty exemption claims timely and/or accurately. We **ONLY** issue tax refunds for RRA taxes withheld in the current tax year. We do **NOT** issue tax refunds for RRA taxes withheld in prior tax year(s). **Tax refunds are nontaxable payments and are not reported on tax statements.** However, tax refunds are considered in computing tax withholding amount totals shown on our tax statements (i.e., tax refunds reduce tax withholding amounts). Refunds of taxes must be processed as they were originally withheld. Therefore, a tax refund amount is broken down into the appropriate annuity components (SSEB, NSSEB, tier 2, VDB, supplemental annuity) as it was originally withheld.

For tax refund cases, a current year **TAXCOR NORECURR** is posted to the beneficiary's or entity's record showing the following: beneficiary's or entity's U.S. taxpayer identifying number (i.e., social security number, individual taxpayer identification number, employer identification number); the amount of the current year tax refund by annuity component(s); the appropriate tax deposit account code ("1" for U.S. citizen or "2" for NRA) the tax refund will reduce; the beneficiary's or entity's tax citizenship status code and country of residence, and (if refunding NRA taxes) the tax withholding rate percentages (0%, 15% or 30%) that originally withheld the NRA taxes. This TAXCOR NORECURR reduces the

appropriate tax deposit account and recovers the taxes previously withheld and deposited to that account, and returns those taxes to the RRB trust funds. In addition, this TAXCOR NORECUR is posted to the tax database (and NORECURR general tax screen). For tax refund cases involving NRA taxes, the case should be bypassed from automated original tax statement processing **using bypass code “013”** to ensure that the refunds are associated with the correct payment records. Refer to [TOM 20.35](#), RRA Taxation Guidelines and Principles – Tax Withholding.

**Taxation of Railroad Annuities** - Railroad retirement, spouse, divorced spouse, survivor (widow and widower), child-in-care, and disability annuities consisting of tier 1, tier 2, and vested dual benefit (VDB) annuity components have been subject to United States Federal income tax since January 1, 1984. Supplemental annuities have been subject to U.S. Federal income tax since November 1, 1966. **For additional information, refer to the SSEB Taxability section and Pension Taxability section shown below.**

The Internal Revenue Code (IRC) requires an annual statement of benefits (i.e., tax statement) to be released to each beneficiary documenting the amounts of benefits paid; the total Social Security Equivalent Benefit (SSEB) portion of Tier 1 amount repaid; and the total amount of U.S. Federal taxes withheld beginning with tax year 1984.

**Railroad annuities are not taxable by States in accordance with section 14 of the Railroad Retirement Act (45 U.S.C. Section 231m). The RRB will not withhold State income taxes from railroad retirement payments.**

Prior to tax year 1992, the RRB also showed the actual taxable amounts, contribution recovery information, and simplified General Rule information on railroad retirement annuity tax statements. Effective with tax year 1992 and later, these amounts are no longer included on tax statements.

Prior to tax year 2018, Nonresident Alien (NRA) beneficiaries received a RRB-1042S reporting the SSEB portion of their RRB benefit and a Form RRB-1099R reporting the pension portion of their benefit. Starting with tax year 2018, NRAs receive separate Forms RRB-1042S for the SSEB and pension portions of their RRB benefit. Box 1 – Income Code indicates if the amounts on the form represent SSEB or pension benefits. A “98” in Box 1 indicates the form reports the SSEB portion of the benefit. A “99” in Box 1 indicates the form reports the pension portion of the benefit.

**SSEB Taxability** – The SSEB portion of tier 1 and special guaranty (overall minimum, or OM) benefits are treated in the same manner as a social security benefit for U.S. Federal income tax purposes. The SSEB payments, repayments and tax withholding amounts are shown on the Form RRB-1099 tax statement (for citizens and residents of the United States) or Form RRB-1042S tax

statement (for nonresident aliens of the United States). Beneficiaries use the “net” SSEB paid amount when determining their total taxable income for the tax year.

Beneficiaries taxed under citizen rules and tax preparers are advised to obtain IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits, to compute the “base amount” used to determine the taxability of the SSEB portion of tier 1 and social security benefits.

**Pension Taxability** – The NSSEB portion of tier 1, tier 2, VDB and supplemental annuity benefits are treated as private pensions for U.S. Federal income tax purposes. The NSSEB and tier 2 are taxed as contributory pension amounts. The VDB and Supplemental Annuity are taxed as noncontributory pension amounts. The NSSEB, tier 2, VDB and supplemental annuity payments, repayments and tax withholding amounts are shown on the Form RRB-1099R tax statement for U.S. citizens, and for NRAs prior to tax year 2018. Beginning with tax year 2018, these amounts for NRAs are shown on Form RRB-1042S.

The **NSSEB and tier 2** (shown as the Contributory Amount Paid on the Form RRB-1099R) are the contributory pension amounts. Contributory pension amounts may be partially taxable or fully taxable depending on the presence and use of the employee contribution amount. The employee contribution amount is used to determine the nontaxable portion of the contributory amount paid.

**VDB and supplemental annuity** benefits are the noncontributory pension amounts. Noncontributory pension amounts are fully taxable.

Beneficiaries and tax preparers should refer to IRS Publication 575, Pension and Annuity Income, and IRS Publication 939, General Rule for Pensions and Annuities, for additional information regarding taxability of contributory and noncontributory pension payments. .

**Contributory Amount Paid** - The contributory amount paid is considered income and is reported to the IRS. This amount is shown on the Form RRB-1099R tax statement. The contributory amount paid is either fully or partially taxable depending on whether the employee contribution amount has been used to compute a nontaxable (tax-free) portion of the contributory amount paid. If no employee contribution amount is shown on Form RRB-1099R, then the contributory amount paid and total gross pension paid amount on Form RRB-1099R are fully taxable.

The annuity beginning date (ABD) determines if the contributory amount paid is fully taxable or if the nontaxable amount of the contributory amount paid is partially taxable for the life of the beneficiary or for a specified period of time.

- For beneficiaries with annuity beginning dates **before July 2, 1986**, the contributory amount paid is fully taxable.

- For beneficiaries with annuity beginning dates **from July 2, 1986 through December 31, 1986**, the contributory amount paid is partially nontaxable for the life of the beneficiary. These annuitants may use some, or all of the employee contribution amount to compute the nontaxable amount of their contributory amount paid. Once that nontaxable amount is computed, it does not need to be recomputed and can be used for each tax year unless there is a change in the employee contribution amount, annuity beginning date, date of birth used to determine life expectancy, or the number of eligible beneficiaries receiving contributory amounts paid.
- For beneficiaries with annuity beginning dates **effective January 1, 1987 and later**, the contributory amount paid is partially nontaxable for a specified period of time based on life expectancy as determined by IRS actuarial tables. These beneficiaries may use some or the total employee contribution amount to compute the nontaxable amount of their contributory amount paid. Once that nontaxable amount is computed, it does not need to be recomputed and can be used for each tax year unless there is a change in the employee contribution amount, annuity beginning date, date of birth used to determine life expectancy, or the number of eligible beneficiaries receiving contributory amounts paid. However, once the specified life expectancy is met, the employee contribution is considered fully used up, and the contributory amount paid and total gross pension paid are fully taxable.
- The contributory amounts paid of **disabled employee beneficiaries UNDER minimum retirement age are fully taxable** and these beneficiaries cannot use the employee contribution amount.

Beneficiaries should refer to IRS Publication 575, Pension and Annuity Income, and Publication 939, General Rule for Pensions and Annuities, for more information concerning the tax treatment of the contributory amount paid and use of the employee contribution amount.

**Economic Recovery Payments (ERP)** are non-taxable and are not reported on the tax statements. The American Recovery and Reinvestment Act of 2009 (ARRA) provided for a one-time ERP of \$250.00. Although the one-time payment is non-taxable and will not be included on the annuitant's 2009 or 2010 tax statement, ERP information of all payments made has been provided to the Internal Revenue Service (IRS) for their administration of the Making Work Pay Credit (MWPC) provision of the ARRA. Annuitants who worked during 2009 or 2010 will need to report that they received the ERP when completing their federal income tax returns. Failure to do so will cause the IRS to reject the tax return. Annuitants seeking information regarding taxability issues should access the IRS website, [www.irs.gov](http://www.irs.gov).

**NOTE:** The IRS has advised that they have been contacted by tax preparers who have encountered problems when attempting to file tax returns on behalf of their clients. The problems apparently arise from discrepancies in the information they are reporting on behalf of clients, compared to the information that the IRS received from the various agencies that issued the ERPs. The common problems are:

- Offset of the ERP – The ERP was issued but withheld due to offset for a Federal or state debt. The ERP is still considered to have been paid to the annuitant. An offset can be confirmed by accessing the ERP TOP File on BoardWalk.
- Direct Deposit – The ERP was direct deposited into the annuitant’s account. The annuitant does not recall having received the ERP. Payment issuance can be confirmed by checking the PREH 3275 screen.
- Non-receipt of ERP check payment – The ERP was issued via paper check and the annuitant does not recall having received the payment or, the payment was lost or stolen. THE ERP is still considered to have been paid to the annuitant. Report the claim of non-receipt to the Clerical Support Unit in TCIU.
- Multiple ERPs – The annuitant may have received the ERP on behalf of a dependent and correctly assumed it did not impact the MWPC, but then failed to alert the tax preparer that they (or a spouse) also received an ERP from the same or another agency. The SSA/VA ARRA Payments file on Boardwalk can be useful in determining whether a RRB annuitant could have been issued an ERP by one of the other agencies.

These problems have also led the IRS to conclude that they should be prepared for the possibility that inaccurate payment data was provided by the issuing agencies. While the IRS is not aware of any instances where the data provided by the RRB contained such errors, if such an error is identified, immediately notify Policy and Systems via the P&S Inquiry Mailbox. Since the erroneous information will cause the IRS to reject a tax return and the burden of proof rests with the taxpayer (annuitant), prepare a letter drafted on RRB letterhead addressed to the annuitant, confirming that no ERP was issued. Remember to check the SSA/VA ARRA Payments file on Boardwalk to be sure that a payment was not issued by one of the other agencies. IRS will use the letter as documentation for making a manual correction to their records that will allow the tax return to be processed.

**Tax Year** - A tax year covers monthly benefits paid for December of one calendar year through November of the next calendar year, and any one payment only (OPO) or accrual payments made in January through December of that next calendar year. For example, tax year 2006 covers recurring monthly

payments for December 2005 through November 2006 and OPO or accrual payments dated January 1, 2006 through December 31, 2006. For taxation purposes, benefits are counted as paid when they are actually issued. In crediting repaid amounts to a tax year, benefits are counted as repaid for the year in which repayment is made and received at the RRB. The amounts shown on tax statements are based on a tax year as defined above; not on a calendar year. Year-end tax statement processing considers all payment, repayment and tax withholding totals for the tax year on the tax statement.

**Death Suppression Applied to Tax Statements** - The term “death suppression” is used to describe the practice of NOT reporting RRA payments after the month of death on tax statements of deceased beneficiaries when we know of the death before tax statements are issued. In order for death suppression to occur, the date of death must be in the tax database (i.e., the Beneficiary Identification/Information Data [PF16] tax screen or ANNTAXR tax record) before year-end tax statement issue (this means that the date of death must be in our records by the end of December of the current year since tax statements for the current tax year are produced and released in early January of the following year).

When death suppression occurs, we report on tax statements the monthly and accrual payments from the start of the tax year through the month of death. We do not report on tax statements any monthly and accrual payments issued after the month of death. Also, when death suppression reporting occurs, any recoveries of death suppressed paid amounts (i.e., payments made after date of death) are not reported as repayments on RRA tax statements. These recoveries are not reported on tax statements because their corresponding payments were not previously reported on tax statements. Refer to [TOM 20.10](#), RRA Taxation Guidelines and Principles – Payments, principle 14, and [TOM 20.20](#), RRA Taxation Guidelines and Principles – Recoveries – Positive Repayment and Negative Payments, principles 1 through 4.

Death suppression only applies to the deceased beneficiary. It does not apply to any auxiliary beneficiaries still alive under the same claim number.

Example: John Smith was issued January through June recurring annuity payments (six months) and two separate accrual payments (April 15 and May 3) in the current tax year. In June, we were informed that John died in April of the current tax year. Based on his April date of death, John is not entitled to the May and June recurring annuity payments or his May accrual payment (all three payments are considered overpayments). John is not entitled to his May accrual payment since the payment was made after his month of death. For year-end tax statement processing, death suppression occurs since we have the date of death in our records at the time of current year tax statement issue. As a result, John’s current tax year tax statements show his annuity payments for January through April (four, not six months) and the April accrual payment. Even though



we issued the May and June annuity payments (fifth and sixth months) and May accrual payment, John's current tax year tax statements will not include those payments since those annuity payments were made after the month of death (April) and we have the date of death in our records. If the May and June annuity payments and May accrual payment are repaid to the RRB in the same current tax year either as returned checks or a cash refund, those repayments are not reported on the current tax year tax statements since the corresponding payments are not reported.

**Recipients of Tax Statements** - RRB tax statements are issued for a tax year to those who receive taxable railroad retirement annuity payments or those who repaid railroad retirement annuities or those who had taxes withheld during that same tax year. Therefore, RRB tax statements are issued (mailed) to retired (age or disabled) railroad employees; spouses, spouses with a child in care, divorced spouses, recipients of partition payments, and survivors (widow(er)s, estates, trusts, LA payees) of deceased railroad employees. All recipients of tax statements are categorized as either U.S. citizens or nonresident aliens of the United States. **Refer to the sections below concerning recipients of garnishment and partition payments.** See [TOM 20.45](#), RRA Taxation Guidelines and Principles - Who Should Receive Tax Statements, for more information.

**Garnishments** - Railroad retirement annuities are reduced for two types of legal process garnishment payments: 1) alimony, and 2) child support. Railroad retirement annuities are taxable gross of (before) these garnishment deductions. We treat garnishment payments as nontaxable amounts. We do not perform tax withholding on these amounts or issue RRA tax statements to garnishment payees. A bypass code of "008" may be shown on the garnishment payee's BENID/INFO (PF 16) general tax screen. Garnishment payment and deduction amounts are shown on the RECURRING (PF 20 and PF 21) and NONRECURRING (PF 22 and PF 23) general tax screens. See IRS Publication 504, Divorced or Separated Individuals, for information about the tax implications of alimony and child support garnishment payments to both the person garnished and the recipient of the garnishment.

**Alimony** - Garnishment payments awarded as alimony are taxable to the recipient. The IRS allows those individuals whose RRA annuity payments are garnished for alimony to take a deduction on their U.S. Federal income tax returns for the amounts garnished. Recipients of garnishment payments awarded as alimony are to include any garnishment payments received as taxable income.

**Child Support** - Garnishment payments awarded as child support are taxable to the person garnished.

**Partition** - Recipients of partition payments will receive tax statements reporting those payments since partition payments are considered taxable to the payee. However, the amount of the partition deduction from the employee's (payer) annuity is not included in the gross payment total reported on the employee's tax statements. Partition deduction amounts are shown on the RECURRING (PF 20) and NORECURRING (PF 22) general tax screens. Recipients of partition payments may elect tax withholding on those payments by filing the appropriate tax withholding election forms with the RRB. Refer to [TOM 2215](#), Partitions.

**Mailing Address on Tax Statements** - The mailing address shown on any RRB issued tax statement is the address that is on RRB records at the time the tax statement is produced OR the address provided by the person requesting a tax statement at the time of request. Recipients of tax statements should review the mailing address shown on the tax statements. If the mailing address shown is incorrect or incomplete, the recipient should contact the RRB and provide the RRB with the correct and complete mailing address. Refer to [TOM 307](#), Undeliverable Tax Statements, for information concerning undeliverable/returned tax statements.

**U.S. Taxpayer Identifying Number (TIN)** – A U.S. TIN is either a social security number (SSN), an individual taxpayer identification number (ITIN) or employer identification number (EIN). Generally, a SSN is assigned to a U.S. citizen; an ITIN is assigned to a nonresident alien (NRA) of the United States; and an EIN is assigned to a deceased beneficiary's estate or trust. The IRC requires a TIN to be shown (reported) on any RRB issued tax statement for identification purposes. However, we will issue tax statements without a TIN if there is no TIN in the beneficiary's RRB records. Safety methods both at the RRB and with outside tax statement printing/mailing contractors are in place to insure that the TIN shown on RRB tax statements are safe and secure from misuse, theft or fraud. If a tax statement erroneously shows an incorrect TIN, refer to the section entitled, Incorrect Taxpayer Identifying Number (TIN) in [TOM 325](#), Corrected Tax Statements.

**U.S. Social Security Benefits** – The RRB does NOT issue tax statements showing social security benefits paid, repaid or any related U.S. Federal income tax withholding from social security benefits. If a beneficiary received social security benefits during the tax year that were paid through the RRB (i.e., RRB has jurisdiction to pay), the beneficiary will receive tax statements showing social security benefits from the Social Security Administration (SSA); not the RRB. If the beneficiary did not receive their tax statement forms from the SSA, the beneficiary should contact their nearest SSA field office; not the RRB. Beneficiaries may contact the SSA on the Internet at [www.ssa.gov](http://www.ssa.gov) or call the SSA at 1-800-772-1213. In addition, any Medicare premiums deducted from social security benefits will NOT be included in the Medicare premium total amount shown on the RRB tax statements. Refer to [TOM 300.15](#), Medicare Premium Total Shown on Tax Year 1997 And Later Tax Statements.

**Deductions** – Railroad annuity payments may include deductions. These deductions may be offset from the railroad annuity on a monthly basis and/or from an accrual payment that was paid during the tax year. The two most common types of deductions are for Medicare premiums and U.S. Federal income tax withholding. For a complete list of deductions, refer to the explanation section for Form RRB-1099 and Form RRB-1042S, and the explanation section for Form RRB-1099R shown below. In addition, refer to [TOM 20.15](#), RRA Taxation Guidelines and Principles – Annuity Deductions (also see [TOM 20.20](#), Recoveries), for information concerning annuity deductions.

**Nontaxable Payments and Repayments** – RRA tax statements only show (report) taxable payments and repayments. However, certain payments and repayments are not taxable and therefore are not shown on tax statements. These nontaxable payments and repayments include:

- Tier 1, tier 2, and VDB benefits paid for a period before December 1983;
- Tier 2 and VDB benefits repaid for a period before December 1983;
- Separation allowance lump sum amounts (SALSA);
- Residual lump sum (RLS) amounts;
- Lump Sum Death Payment (LSDP);
- Over-reimbursements;
- Garnishment payments;
- Tax refund payments of RRA taxes withheld during the “current” tax year; and
- 1974 RRA excess tier 2 tax refund payments (shown on paper or online G-90).
- One-time \$250.00 Economic Recovery Payments

**Types of Tax Statements** – The RRB categorizes beneficiaries by their citizenship status (i.e., country of citizenship). Beneficiaries are either citizens of the United States, or nonresident aliens of the United States. A nonresident alien (NRA) is an individual who is neither a citizen nor resident of the United States. Based on citizenship status, beneficiaries will receive U.S. citizen tax statements or NRA tax statements.

- Annual U.S. citizen tax statements issued by the RRB are reported on two RRA tax statement forms, Form RRB-1099 and/or Form RRB-1099R, beginning with tax year 1984.

- For tax years 1984 through 2017, the annual NRA tax statements issued by the RRB are reported on Forms RRB-1042S and/or RRB-1099R.
- Beginning with tax year 2018, the annual NRA tax statements issued by the RRB are reported on Form RRB-1042S.
- Click on the links below to view sample copies and an explanation of the latest tax statements.
  - [Form RRB-1099/1099R](#)
  - [Form RRB-1042S](#)
  - [Form TXL-1099](#)
  - [Form TXL-1099R](#)
  - [Form TXL-1042S](#)

Refer to IRS Publication 575, Pension and Annuity Income, for additional information concerning Form RRB-1099R and Form RRB-1042S. This publication also contains explanations of box items and an illustration of the Form RRB-1099R and Form RRB-1042S tax statements. In addition, refer to IRS Publication 939, General Rule for Pensions and Annuities. Lastly, refer to IRS Publication 519, U.S. Tax Guide for Aliens, for detailed information on filing requirements for aliens (NRAs).

**Important IRS Phone Numbers and Website** – Beneficiaries can get help with unresolved tax issues, order free IRS forms and publications, ask tax questions, and get more information from the IRS. Beneficiaries can call or visit their local IRS field office listed in the blue pages of their telephone directory. IRS phone and fax numbers, and websites are also found at the back of many IRS publications and forms. In addition, beneficiaries may visit the IRS on the Internet at [www.irs.gov](http://www.irs.gov). Beneficiaries can call the IRS toll free at the following general phone numbers:

- 1-800-829-3676, to request free IRS forms, instructions and publications (these items can be downloaded from the IRS website);
- 1-800-829-1040, to ask the IRS specific tax related questions;
- 1-800-829-4059, to ask tax questions or to order forms and publications if beneficiary has access to TYY/TDD equipment;

- 1-267-941-1000 (not toll free), to ask the IRS tax related questions for those who are nonresident aliens or who reside outside of the United States;
- 1-877-777-4778, to contact the taxpayer advocate (the taxpayer advocate independently represents an individual's interests and concerns within the IRS by protecting the individual's rights and resolves problems with the IRS that have not been resolved, corrected or successfully handled); and/or
- 1-800-829-4477, to check the status of the income tax refunds.

**Important IRS Publications and Forms (Reference Sources)** - IRS has several reference sources to help determine taxable amounts and what amounts to show on income tax returns. IRS publications and forms are free for the public and can be downloaded from the IRS website ([www.irs.gov](http://www.irs.gov)) or you may call IRS at 1-800-829-3676 (see above) to request free copies. In addition, the RRB website has links to the IRS website for the following IRS publications and forms.

- IRS Publication 575, Pension and Annuity Income, is the IRS booklet that provides general information concerning the taxability of the pension payments (NSSEB portion of tier 1, tier 2, VDB and supplemental annuity), use of the employee contribution amount, and Form RRB-1099R, as well as an illustration of the tax statement.
- IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits, is the IRS booklet that provides general information concerning the taxability of SSEB portion of tier 1 benefits and social security benefits, and Form RRB-1099, Form RRB-1042S, Form SSA-1099 and Form SSA-1042S, as well as illustrations of these tax statements.
- IRS Publication 939, General Rule for Pensions and Annuities, is the IRS booklet used in conjunction with IRS Publication 575 and provides information concerning the tax treatment of the contributory amount paid (NSSEB and/or tier 2), the use (recovery) of the employee contribution amount, IRS actuarial tables, and how to use those actuarial tables to determine taxable and nontaxable amounts of the contributory amount paid.
- Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, is the IRS form used by individuals to request a tax return filing extension from the IRS.

**Important SSA Phone Number and Website** - Beneficiaries can contact the SSA for information concerning social security benefits and/or SSA tax forms (Form SSA-1099 or Form SSA-1042S). Beneficiaries may call the SSA toll free at 1-800-772-1213 or visit the SSA on the Internet at [www.ssa.gov](http://www.ssa.gov).

### **300.10 TB-85 Booklet, Information About The Taxation Of Railroad Retirement Annuities**

The Taxation Planning Group (TPG) recommended several initiatives be implemented to improve taxation reporting and accounting. One of the TPG initiatives is to provide additional information at initial retirement explaining the taxability of annuities and how annuity adjustments can affect tax liability.

To implement this initiative, Policy and Systems-Payment Analysis and Systems (PAS) developed a general Railroad Retirement Act (RRA) taxation booklet available for use January 1, 1997, and later. The booklet TB-85, Information About the Taxation of Railroad Retirement Annuities, details the taxability of, and U.S. Federal income tax withholding on, railroad retirement annuities, accruals and overpayments that our beneficiaries receive.

The main purpose for the TB-85 booklet is to provide one source where beneficiaries, field office personnel, tax preparers and interested parties can obtain answers to questions concerning the taxation of railroad retirement benefits.

When annuitants file for a railroad retirement annuity field office personnel should give them a copy of TB-85. In addition, each field office should maintain a small supply of these booklets for any requests that they may receive throughout the year.

The TB-85 will be reviewed and/or revised each year (if necessary) by P&S – PAS.

### **300.15 Medicare Premium Total Shown On Tax Year 1997 And Later Tax Statements**

Medicare premium totals deducted from the railroad retirement benefit are reported on the RRB tax statements (Form RRB-1099; Form RRB-1042S; Form RRB-1099R) for informational purposes only. We do not report Medicare premiums deducted from the annuitant's social security benefits on the RRB tax forms. Use Form Letter RL-376. Form Letter RL-376 is available on RRAILS and includes a paragraph select item which reads:

*Your Medicare Part B premiums are being deducted from the social security portion of your monthly payment. The premium deduction will not appear on your RRB-1099 or SSA-1099 tax forms.*

*Below is the information you requested:*

**MEDICARE PART B PREMIUM DEDUCTIONS FOR TAX YEAR \*\*\*\***  
**\$X,XXX.xx PER MONTH x \*\*\* MONTHS = \$X,XXX.xx**

TOM 300.15 is divided into the following five sections:

- A. Background;
- B. Types of Medicare Premiums shown on RRB tax statements;
- C. Types of Medicare Premiums NOT shown on RRB tax statements;
- D. Medicare Premium Refunds NOT included into Medicare Premium Total;
- E. Impact of Medicare Premium Total on Duplicate and Corrected RRB Tax Statements.

#### **A. Background**

Beneficiaries want to know the amount of Medicare premiums that they paid during the tax year for their own benefit and/or to help them determine (compute) the amounts to report on their personal income tax returns. Field office personnel want to reduce beneficiaries' inquiries concerning the Medicare premium total paid during the tax year. One of the most common requests that RRB headquarters received each year from both field office personnel and beneficiaries was to show on the RRB tax statement forms the total Medicare premiums that were deducted from beneficiaries' railroad retirement annuities during the tax year.

The request (reasons) to include a separate box item for Medicare on the RRB tax statements is based on the following:

- Generally, the amounts shown on the RRB tax statements are greater than the amounts that the beneficiaries received during the tax year so beneficiaries conclude that they are due additional money from the RRB. Beneficiaries come to this conclusion because they re-verify the amounts shown on their tax statements by comparing the total shown on their tax statements to the cumulative total actually received. The cumulative total is determined by adding up the amounts shown on their annuity checks (or bank statements) for a tax year. Beneficiaries may not realize that the amount shown on their annuity checks is in the "net" amount (i.e., amounts after certain annuity deductions). However, the amounts reported on the tax statements are in the "gross" amount (i.e., amounts before certain annuity deductions). The most common annuity deduction for railroad retirement annuities is the premium for Medicare.

Field office personnel receive inquiries from beneficiaries asking why the amounts shown on the tax statements differ from the amounts that the beneficiary actually received, i.e., tax statement total versus checks/bank statements total. Field office personnel investigate the amount difference.

If it is determined that the difference is due to the Medicare premiums, field office personnel explain to the beneficiaries that the difference is the total amount of Medicare premiums paid during the year. In addition, field office personnel explain that the amounts shown on the tax statements are before the deduction for Medicare.

Example: In 2006, Mr. Jones is entitled to a railroad retirement benefit of \$1,000.00 per month (\$500.00 SSEB portion of tier 1 plus \$257.00 NSSEB portion of tier 1 plus \$100.00 tier 2 plus \$100.00 VDB plus \$43.00 supplemental annuity). The Contributory Amount Paid is the sum of the NSSEB and tier 2 benefits. Thus, the Contributory Amount Paid is \$357.00 per month (\$257.00 NSSEB plus \$100.00 tier 2). Mr. Jones receives Medicare and \$88.50 is deducted from his monthly railroad retirement benefit in 2006. Therefore, Mr. Jones' monthly annuity check is in the "net" amount of \$ 911.50 (\$1,000.00 minus \$88.50) for 2006.

For tax year 2006, Mr. Jones received in January, 2007, a Form RRB-1099/1099R tax statement mailer. Forms RRB-1099 and RRB-1099R tax statements are shown on this mailer. On his Form RRB-1099, we reported a SSEB gross total of \$6,000.00 (\$500.00 x 12 months). On his Form RRB-1099R, we reported the following gross totals: \$4,284.00 Contributory Amount Paid (\$357.00 x 12 months); \$1,200.00 VDB (\$100.00 x 12 months); and \$516.00 supplemental annuity (\$43.00 x 12 months).

If Mr. Jones decides to re-verify the amounts shown on his tax statements, he will compare the amounts shown on the tax statements to the cumulative sum of the annuity checks that he received during the year. Mr. Jones will add up the amounts on the tax statements and obtain a cumulative total of \$12,000.00 (\$6,000.00 SSEB + \$4,284.00 Contributory Amount Paid + \$1,200.00 VDB + 516.00 supplemental annuity.)

Mr. Jones will add up the amounts from the 12 annuity checks that he received and obtain a cumulative total of \$10,938.00 (\$911.50 x 12 checks).

Mr. Jones will contact the RRB (i.e., field offices) asking why there is a discrepancy of \$1,062.00 (\$12,000.00 minus \$10,938.00) between the total shown on his tax statements and the total derived from his annuity checks. In addition, Mr. Jones will ask if he is due \$1,062.00 from the RRB. Field office staff can check to see if Mr. Jones is receiving Medicare by looking at the Statement Supporting Data (STBRK) (PF15 then PF13) general tax screen. This general tax screen has a screen item entitled, SMIB PREMIUM TOTAL. An amount shown in the SMIB PREMIUM TOTAL is the Medicare premium total deducted from railroad retirement benefits since the tax database stores this information. In this example,



\$1,062.00 will be shown in the SMIB PREMIUM TOTAL. In addition, field office staff can view the Recurring Payment Summary (REC:SUM) (PF 21) and the Non-Recurring Payment Summary (NON-REC:SUM) (PF 23) general tax screens for the tax year in question. Both of these screens have a screen item entitled, SMIB. Field office staff can add the amounts shown in the SMIB item of these screens to determine the tax year's Medicare total. This total should equal the total shown in the SMIB PREMIUM TOTAL on the Statement Supporting Data tax screen. Once verified, field office staff informs Mr. Jones that the \$1,062.00 discrepancy is due to his deductions for Medicare ( $\$88.50 \times 12$  months equal \$1,062.00). In addition, field office staff state that the amounts shown on the tax statements are before Medicare deductions and that this situation is explained in the paragraph entitled, Medicare, on the back of the automated tax statement mailer or appropriate TL letter.

- Beneficiaries want to know the Medicare premiums total that they paid during the year so that they can use it when determining the amounts to show on their annual income tax returns. Beneficiaries contact the field offices asking for this information. Field office personnel referred to the Statement Supporting Data screen (PF15 then PF13) in order to provide beneficiaries with their Medicare premium total.
- The Social Security Administration (SSA) shows a separate item for beneficiaries' Medicare premiums total on Form SSA-1099 (for U.S. citizens) and Form SSA-1042S (for NRAs) tax statements. Beneficiaries and field office personnel feel that the RRB should follow SSA's example and show a separate item for the Medicare premiums total. For consistency, beneficiaries want the RRB to show their Medicare premium total on Form RRB-1099 and Form RRB-1042S to correspond with Form SSA-1099 and Form SSA-1042S.

#### **B. Types of Medicare Premiums Shown On RRB Tax Statements:**

The tax database stores the total Part B, C, D and/or B and D Income Related Monthly Adjustment Amount (IRMAA) Medicare premiums deducted from railroad retirement annuities. For tax years 1997 through 2006 tax statements, we only report the total Part B Medicare premiums deducted from beneficiaries' railroad retirement annuity payments during the tax year. Effective with tax year 2007, we report the total Medicare Part B and/or B and D IRMAA premiums deducted from railroad annuity payments. Effective with tax year 2011, we report the total Medicare Part B, C, D and/or B and D IRMAA premiums deducted from railroad annuity payments. If Medicare premiums are deducted from railroad retirement annuity payments, then the Medicare premium total will normally be shown on Form RRB-1099 (for citizens) and Form RRB-1042S (for NRAs). However, if the beneficiary is not required to receive a Form RRB-

1099 (i.e., beneficiary is not receiving and/or repaying SSEB benefits), then the Medicare premium total will be reported on Form RRB-1099R or Form RRB-1042S. See below:

- Form RRB-1099 and Form RRB-1099R: If a "citizen" beneficiary is receiving both a Form RRB-1099 and Form RRB-1099R for the same tax year, the Medicare premium total will be shown on the Form RRB-1099, not Form RRB-1099R. Under no circumstances will the Medicare premium total be shown on both types of tax statements.
- For tax years 1984 to 2017 - Form RRB-1042S and Form RRB-1099R: If an "NRA" beneficiary is receiving both a Form RRB-1042S and Form RRB-1099R for the same tax year, the Medicare premium total will be shown on the Form RRB-1042S, not the Form RRB-1099R. Under no circumstances will the Medicare premium total be shown on both types of tax statements.
- For tax years beginning 2018 - Form RRB-1042S: An "NRA" beneficiary will only receive a Form RRB-1042S. The Medicare premium total will be shown on the Form RRB-1042S.

### C. Types of Medicare Premiums NOT Shown On RRB Tax Statements:

We are not able to show the Medicare premium total for three categories of beneficiaries. However, it should be noted that we did not provide the Medicare premium total information for these same beneficiaries in the past since the tax database does not store this information for these types of beneficiaries. Thus, the Statement Supporting (STBRK) general tax screen (PF15 then PF13) did not show Medicare premium information for these beneficiaries. The three categories are:

**Category 1:** Beneficiaries whose Medicare premiums are deducted from their social security benefits, not their railroad retirement benefits for all or part of year. However, the RRB can provide a letter to the beneficiary stating the total amount of Medicare deducted from only the social security benefits. Field offices can prepare and release Form RL-376. Form RL-376 is available on RRAILS. Requests can be referred to the Medicare Section if the field office is unable to determine the amount of Medicare premiums deducted from benefit payments during the year. **Refer to the NOTE below.**

**NOTE:** There are beneficiaries who receive both railroad retirement and social security benefits and their Medicare premiums are initially deducted from their railroad retirement benefits (i.e., RRB has jurisdiction of the Medicare premium deduction). During the year, the beneficiary's annuity may be adjusted causing the railroad retirement annuity to be less than

the Medicare premium deduction. When that occurs, the Medicare premium cannot be deducted from the railroad annuity since the railroad annuity is not large enough to sustain the Medicare deduction. Therefore, the Medicare premium switches and gets deducted from the social security benefit since that benefit is large enough for the Medicare deduction. The RRB will report the Medicare premiums deducted from the railroad benefit on the RRA tax statements (Forms RRB-1099, RRB-1042S, or RRB-1099R). However, the RRB will not report the Medicare premiums deducted from the social security benefit. At the same time, the Social Security Administration (SSA) will not report the Medicare premiums deducted from the social security benefit on the SSA tax statements (Form SSA-1099 or Form SSA-1042S) since the RRB initially had jurisdiction to handle the Medicare premium deduction. As a result, the beneficiary will receive a set of RRB and SSA tax statements, and only the RRB tax statements will show the Medicare premiums deducted from railroad benefits. The Medicare premium total shown on the RRB tax statements does not include any premiums deducted from the social security benefit.

**Category 2:** Beneficiaries who are paying their Medicare premiums by direct bill on either a quarterly or annual basis.

**Category 3:** Beneficiaries whose Medicare premiums are paid by a third party. In most cases, the third party is the beneficiary's State.

**D. Medicare Premium Refunds NOT Included into Medicare Premium Total:**

Medicare premium refunds made during the year are not considered in the Medicare premium total for the year. This may affect the accuracy of the amount reported on the tax statements.

Example: Mr. Jones receives Medicare and has a Medicare premium in the amount of \$55.00. The RRB deducted \$55.00 from his railroad annuity from January 1 through October 31. Therefore, from January through October, the RRB deducted \$550.00 (\$55.00 x 10 months) in Medicare premiums. However, it was determined that Mr. Jones' Medicare premium should be in the amount of \$50.00 per month not \$55.00. Therefore, from January through October, the RRB should have deducted a total of \$500.00 (\$50.00 x 10 months) in Medicare premiums. Mr. Jones is due a Medicare refund in the amount of \$50.00 (\$550.00 minus \$500.00). Effective November, the RRB correctly deducted \$50.00 from his annuity for November and December, and paid a Medicare refund of \$50.00 to Mr. Jones as a nontaxable one-payment-only. On his tax statement for the year, the Medicare Premium Total would be \$650.00 (\$550.00 January thru October plus \$50.00 for November plus \$50.00 for

December). The \$50.00 Medicare premium refund will not be taken into consideration in the computation of the Medicare Premium Total shown on the tax statement. After paying the \$50.00 Medicare premium refund, Mr. Jones only has \$600.00 worth of Medicare premiums for the year however his tax statement for that same year will show \$650.00 as the Medicare Premium Total. If only the Medicare premium total is in error, then a corrected tax statement will not be issued (see section E Impact of Medicare Premium Total on Duplicate and Corrected Tax Statements).

#### **E. Impact of Medicare Premium Total on Duplicate and Corrected RRB Tax Statements**

The addition of the Medicare Premium Total on the tax statements will impact the way we handle duplicate and corrected tax statements for tax year 1997 and later.

- Duplicate tax statements: The concept of the duplicate tax statement is to provide an exact copy of a previously released original or corrected tax statement. A duplicate tax statement can be on either RRAILS generated, or personal computer (PC) generated standalone tax statement forms. The tax information shown on the "duplicate" tax statement should be the same as the tax information shown on the previously released tax statement. Therefore, the Medicare Premium Total box item for duplicate tax statements prior to tax year 1997 will be blank since Medicare was not on the original or corrected tax statements for those years. However, the Medicare Premium Total box item for duplicate tax statements for tax years 1997 and later will show an amount if an amount was shown on the previously released tax years 1997 and later original and corrected tax statements. See [TOM 320](#), Duplicate Tax Statements.
- Corrected tax statements: If the Medicare premium total and any other item shown on the tax year 1997 and later tax statement(s) are in error, then a corrected tax year 1997 and later tax statement should be issued showing the corrections for both the Medicare premium total and the other item(s) error(s). A corrected tax statement can be on either the RRAILS generated or personal computer (PC) generated stand-alone tax statement forms.

However, if only the total Medicare premium total is in error, then we will not issue a corrected tax year 1997 and later tax statement. A corrected tax year 1997 and later tax statement is not necessary since the Medicare premium total is only for informational purposes. In addition, we are not legally obligated by IRS to report the Medicare premium total on our tax statements. If the Medicare premium total amount on tax year 1997 and later tax statements is the only item in error and the correct Medicare

premium amount has been verified, release Form Letter RL-376, which is available on RRAILS, stating the correct Medicare premium total amount.

## **305 Release of Original Statements**

### **305.05 Release of Original Tax Statements**

There are three basic tax statement forms: Form RRB-1099, Form RRB-1099R and Form RRB-1042S.

During January, P&S-PAS issues "original" automated annual tax statements to individuals who were paid or repaid railroad retirement annuities, and/or who had taxes withheld from railroad retirement annuities in the previous year. Form RRB-1099/1099R is the citizen automated annual tax statement mailer. Form RRB-1042S is the NRA automated annual tax statement mailer.

The mailer envelopes (both domestic and air mail) indicate that forwarding is required and that address corrections are requested from the postal service.

NOTE: Effective in tax year 1994, the RRB issued and released a fourth tax statement form, IRS Form 1099-C, Cancellation of Debt. This tax statement form reports the cancellation of a debt of \$600.00 or more for overpayments which were not taxable when originally paid. See [TOM 335](#) for more detailed information concerning IRS Form 1099-C, Cancellation of Debt.

### **305.10 Due Date**

The Internal Revenue Code (IRC) requires that "original" Forms 1099, 1099R and 1099-C tax statements be furnished to recipients by January 31 of the year following the close of the tax year. In addition, the IRC requires that "original" Form 1042S tax statements be furnished to recipients by March 15 of the year following the close of the tax year.

Per the IRC, when a recipient's tax year ends earlier than the close of the calendar year (for example, beneficiary died during the calendar year), the RRB is required to release original Forms RRB-1099, RRB-1042S, RRB-1099R and/or IRS Form 1099-C tax statements, if requested by the deceased beneficiary's survivor(s), attorney, or executor of will or estate, within 30 days from the date the request was received. If the RRB honors the request and issues a tax statement prior to the close of the calendar year, a bypass code may be entered into the beneficiary's tax record to prevent an automated year-end tax statement from being produced or issued. Refer to [TOM 3105.20](#), Beneficiary Identification/Information Data (BENID/INFO), for a list of the bypass codes (and their corresponding explanations) used to prevent the release of automated original tax statement mailers. In addition, refer to the section entitled, Death Suppression Applied to Tax Statements, in [TOM 300.05](#), General Information.

[Click here](#) to view the chart summarizing the “actual” number of automated citizen and NRA tax statement mailers (includes the 10 [5 citizens + 5 NRAs] RRB quality control tax statements) produced and released by the contractor for tax years 1991 through the current year.

### **305.15 Statement Extract/Year-End Processing**

The last work day in December is considered the last day to enter all tax activity for the tax year. By January 31 each year, we release automated original tax statements to most railroad retirement beneficiaries. In order to release these tax statements, we run a series of statement extract programs in early January (usually the first work day back from the New Year’s Day holiday) that extracts payment, repayment, Medicare, workers’ compensation, employee contribution, and tax withholding information for the previous tax year from the taxation database. The series of programs include the following: Database Sweep (26153); LAMBDA-Database Extract (26159); Audit Calculation (26763); Annual Extract (26184); Bypass Sort (26122); Bypass PC Upload (26290); Statement Database or STATAXR Load (26294); and Bypass Code Update (26195). In addition, we upload the current tax year’s original tax statement information to the tax database (and tax screens) for reference and documentation. The create date shown on the Statement Summary (STSUM, PF 14) general tax screen and the issue date shown on the Statement general tax screen (STMT, PF 15) are the same dates and is the date that the current tax year’s original automated tax statements were uploaded to the tax database. In addition, we upload the bypass codes for the current bypass cases to the Beneficiary Identification/Information Data (BENID/INFO, PF 16) general tax screen.

This extracted information will be reported on the automated original tax statements. This information is different for each beneficiary (i.e., variable data). The variable data is formatted using the Formatted Print program (26189) so the data can be sent to the tax statement printing/mailing contractor in a readable format for production, printing, and mass mailing of original tax statements using the variable data. Prior to release to the contractor, we check the accuracy of the variable data on the tax statements by using a Tape Compare program (26481) to verify counts and amount totals. The Tape Compare program also checks the accuracy of the tax statement information submitted to IRS. (Original and corrected tax statement information is sent to the IRS using cartridges, disks or the IRS secure website called, Filing Information Returns Electronically (FIRE) system). Prior to tax year 2006, the variable data was copied onto cartridges and these cartridges were sent (by overnight delivery) to the tax statement printing/mailing contractor. Effective with tax year 2006 and later, the variable data is now sent to the tax statement printing/mailing contractor via electronic file transfer. Necessary security measures have been established to insure the safeguarding of our beneficiaries’ personal information (limited access, selected personnel for transfer, passwords, encryption of information). Through the

contractor, we release over 600,000 automated original tax statement mailer packets each January.

**Bypass Cases** – For those cases in which the release of an accurate automated original tax statement is questionable, or in which the computations required to prepare an original tax statement must be done manually, an automated original tax statement is not released. Instead, a bypass code is entered in the tax database to indicate that the record was bypassed for manual original tax statement release. The bypass code is entered into the beneficiary’s ANNTAXR record in the tax database either manually using RRBTAS or mechanically through one of the statement extract programs. A bypass code is either temporary (meaning the year end statement extract programs will initialize or remove the bypass code from the beneficiary’s ANNTAXR) or permanent (meaning TCIU or PAS must manually remove the bypass code from the beneficiary’s ANNTAXR using RRBTAS or the code stays in the ANNTAXR). A bypass notice (letter) or customized explanation letter is released to the beneficiary if the original tax statement cannot be released by January 31<sup>st</sup>. Refer to [TOM 305.20](#), for more information on bypass letters and the release of manually produced original tax statements for bypass cases.

The Tax Clerical and Imaging Unit (TCIU) will focus their efforts to produce and release the original tax statements for bypass cases by January 31. In addition, Policy & Systems – Payment Analysis and Systems (PAS) issues a memo to TCIU in December stating that TCIU should handle bypass cases with tax withholding **before** bypass cases without tax withholding for tax return/refund purposes. There are situations in which TCIU may need customized instructions from PAS on how to complete the tax statements for a bypass case. PAS will issue instructions to TCIU for handling and those instructions and any other documentation (worksheets, screen prints, etc.) will be imaged for future reference.

The bypass category codes are listed and explained in detail in [TOM 3105.20](#). Bypass codes 001, 002, 003, 005, 008, 009, 010, 012, 013, and 014 are still valid and are used. Bypass codes 004, 006, 007 and 011 are obsolete and are no longer used. A brief synopsis of the valid bypass codes are shown below.

<b>BYPASS CODE</b>	<b>DEFINITION</b>
001	No name/address in tax database
002	Unidentified paid amount (UPA) with no tier breakdown
003	Unidentified paid amount (UPA) over \$25.00 with tier breakdown

005	Scrambled data/record. Information does not correspond to beneficiary's annuity type.
008	Used for prior year death/non-death terminations; prior year suspensions with no payments or repayments; social security only cases; garnishment only cases.
009	Bypassed from the monthly TAS RECERT run.
010	Miscellaneous reasons – used for a permanent bypass
012	Special Purposes – currently used for partition and survivor work deduction cases.
013	Miscellaneous reasons and Tax Refund cases involving NRA taxes.
014	Current year tax statement is already issued upon request due to beneficiary's death or annuity termination.

### 305.20 Annual Statement Bypass Letters

Fewer and fewer annuitant records are bypassed in automated tax statement processing due to questionable records or due to computations that require manual handling. This is due to continued improvements to the automated tax programs.

Form TXL-269, which replaced Form TL-269A, is automatically generated and released to annuitants whose original tax statements are bypassed in automated tax statement processing. Form TL-269A was obsolete in October 2007. It was used to inform an annuitant, who had a portion of his or her retirement benefits paid by court order to someone else, that his or her tax statement can now be prepared and issued through our mechanical process.

Form TXL-269 informs the annuitant that there is a delay in the release of their original tax statements and that the RRB will attempt to issue their tax statements as soon as possible. In addition, the TXL- 269 bypass letter informs annuitants that they may request from the IRS an extension to file their tax returns.

NOTE: We may issue customized explanation letters in lieu of the standard bypass letter (TXL-269). These customized letters are manually produced and provide specific information unique to a particular case.

**Bypass Codes That Issue Bypass Letters** - If an annuitant has a bypass code of 001, 002, 003, 005, 012 or 013, the annuitant will receive a TXL-269 bypass letter (most will receive TXL-269, a few will receive a customized letter). The



TXL-269 or customized letters should be imaged for documentation and reference.

**Bypass Codes That Do NOT Issue Bypass Letters** - If an annuitant has a bypass code of 008, 009, 010, or 014 the annuitant will NOT receive a bypass letter.

The Tax Clerical and Imaging Unit (TCIU) will review each case that has been bypassed and manually issue and release "original" tax statements to the annuitants. A TL-266 letter and the appropriate TXL letters (TXL-1099, TXL-1042S or TXL-1099R) will be sent with these manually produced original tax statements. The TL-266 letter is the letter that explains that the enclosed tax statements are "original" tax statements. The TXL letters provides general information and explanations of the box items shown on a particular tax statement. There are three TXL letters (one for each tax statement type) and the appropriate TXL letters are sent with the corresponding original tax statements (example, TXL-1099 is sent with the Form RRB-1099 tax statement).

NOTE: We may issue customized explanation letters in lieu of the standard TL-266 letter. These customized letters are manually produced and provide specific information unique to a particular case.

If after review, it is determined that the annuitant does not need a tax statement, Form TXL-270 is released by TCIU. The TXL-270 letter should be imaged for documentation and reference. Refer to [TOM 305.20.15](#), FORM TXL-270.

Prior to 1992, if a bypass case was not handled by the end of July (and, therefore, the annuitant was not able to file a tax return in time for the August 15 deadline), Form TL-271 was automatically generated and released to the annuitants. Effective with tax year 1992, all bypassed tax statements were completed by June. Form TL-271 is no longer released and is considered obsolete. Effective with tax year 1995 and later, our goal is to have all bypassed tax statements completed by March 1.

### **305.20.05 Form TXL-269**

In order to minimize the number of inquiries to the field offices concerning bypassed cases, Form TXL-269 is released by TCIU-TS if the case falls into any of several bypass categories; except for legal partition cases (bypass code 012 indicates a legal partition case or a special category case). This notice advises the annuitant of the delay and that a manual review of their case is needed. This letter is imaged for documentation and reference.

If the annuitant requests an explanation of the notice or why he/she did not receive a tax statement, field and headquarters personnel have the ability to answer the annuitant by accessing the Beneficiary Identification/Information Data General TAX screen (PF 16). The bypass code will be displayed under the MISC

INFO section of this tax screen enabling personnel to provide the annuitant with an explanation that is based on the appropriate numeric code in [TOM 3105.20](#), Beneficiary Identification/Information Data (BENID/INFO).

### **305.20.10 Form TL-269A**

Form TL-269A was obsolete in October 2007, and has been replaced with Form TXL-269. Form TL-269A was created in order to minimize the number of inquiries to the field offices concerning legal partition bypassed cases. Our processing for issuing tax statements has improved whereas we can now issue the tax statements correctly mechanically.

### **305.20.15 Form TXL-270**

If after releasing Form TXL-269, or a customized explanation letter, TCIU-TS reviews a case and determines that the annuitant does not need a tax statement, Form TXL-270 is released. This notice (letter) informs the annuitant that a tax statement will not be released and gives a short explanation. This letter is imaged for documentation and reference.

### **305.25 Form SSA-1099 and/or Form SSA-1042S Inquiries**

If a beneficiary receives social security benefits during the tax year, the beneficiary should receive Form SSA-1099 (or Form SSA-1042S if the beneficiary is a NRA) and Notice 703 from the Social Security Administration (SSA). Form SSA-1099 and/or Form SSA-1042S inquiries should be directed to the beneficiary's local SSA field office not the RRB. However, if any Form SSA-1099 and/or Form SSA-1042S inquiries are sent to the RRB, these inquiries should be directed to the Retirement Benefits Division (RBD). SSA tax inquiries should be forwarded to the RBD mailbox. Only upon beneficiary request, RBD will complete a worksheet entitled, Dual SSA/RRB Inquiry Worksheet, with the total amount of SSA benefits paid by the RRB for a specific beneficiary. Based on the beneficiary's social security number, the worksheet is sent to one of seven different SSA payment centers (each center handles a certain social security number range). The appropriate SSA payment center issues an original and/or corrected SSA tax statement (Form SSA-1099 or Form SSA-1042S) with the information shown on the worksheet. RBD images a copy of each of the worksheets for documentation. RBD issues about 200 to 300 worksheets per year with the heaviest volume during the tax season (January through April 15)

### **307 Undeliverable RRA Tax Statements**

Each January, the Railroad Retirement Board (RRB) releases an annual Railroad Retirement Act (RRA) tax statement mailer to recipients who were paid, repaid, or had taxes withheld from railroad retirement benefits.

The mailing address used on the RRA tax statement is the address that is on RRB records at the time the tax statements are issued. The message "ADDRESS SERVICE REQUESTED" is printed on the envelope. If the annuitant has moved and filed a permanent change of address form with the Postal Service, the message instructs the Postal Service to forward the tax statement to the recipient's new address and provide the RRB with the new address. The new address will be received on an address correction card, PS FORM 3547. Tax statements that cannot be forwarded or delivered are returned to the RRB headquarters.

### **307.05 Initial Handling Of Undeliverable RRA Tax Statements**

The mailroom will forward all undeliverable RRA tax statements to the Tax Clerical and Imaging Unit-Clerical Services Unit (TCIU-CSU). See [FOM1 139](#), undeliverable mail procedure.

If a tax statement is returned because the address was missing or scrambled, TCIU-CSU will notify Policy & Systems-Payment Analysis & Systems (P&S-PAS) of the problem. P&S-PAS will investigate the problem and decide whether copies of the tax statement should be forwarded to them.

### **310 Reserved**

### **315 TXL Letters - TXL-1099, TXL-1042S, and TXL-1099R**

Policy and Systems-PAS created three separate Tax Statement General Information letters for each type of tax statement (Form RRB-1099, Form RRB-1042S, and Form RRB-1099R). The purpose for each of these TXL letters is to provide general information and explanations of box items found on the tax statement received by the beneficiary. In addition, Headquarters and field office personnel release the TXL letters to individuals and/or organizations (i.e. attorneys, tax preparers, IRS/AARP tax instructor volunteers for the elderly) requesting written tax information concerning tax statements.

The TXL letters are not sent with the automated citizen and NRA annual tax statement mailer packets released by January 31 each year since the back side of the packets already contains general information and explanations of items on each tax statement form. Therefore, the TXL letters are used only in conjunction with duplicate and manually produced tax statements.

The TXL letters are:

1. TXL-1099 which explains the Form RRB-1099 tax statement;
2. TXL-1042S which explains the Form RRB-1042S tax statement;
3. TXL-1099R which explains the Form RRB-1099R tax statement;

The content of the TXL letters comes from the general information section and the explanation of items section on the automated citizen and NRA annual tax statement mailer packets released each January.

The chart below should be used by headquarters and field office personnel as a guide in determining which TXL letters to use with the tax statements:

#	TAX STATEMENT	CORRESPONDING TL or TXL FORM
1.	Form RRB-1099 Form RRB-1099 (PC)	TXL-1099 TXL-1099
2.	Form RRB-1042S Form RRB-1042S (PC)	TXL-1042S TXL-1042S
3.	Form RRB-1099R Form RRB-1099R (PC)	TXL-1099R TXL-1099R

## 320 Duplicate Tax Statements

Duplicate tax statements are exact copies of previously released (original or corrected) tax statements for the same tax year. Information shown on the duplicate tax statement should match the original or corrected tax information. The box labeled, DUPLICATE, in the top left hand corner of the paper tax statement form will be checked with an "X" to indicate a duplicate tax statement or a duplicate of a corrected tax statement (corrected box will also be checked). The tax year the duplicate tax statement represents will be printed in the center of the duplicate tax statement next to the label, TAX YEAR.

The mailing address shown on the duplicate tax statement may be different from the mailing address shown on the original or corrected tax statement, as authorized field office and headquarters users have the ability to modify the address on the duplicate tax statement if the address has changed since the original statement was issued or if requested by the beneficiary. Duplicate tax statement information is not sent to the IRS since the information was reported to the IRS on either the original or corrected IRS transmission file.

Duplicate tax statements may be generated via the Automated Duplicate Tax Statement System or RRAILS.

### **320.05 Automated Duplicate Tax Statements**

The automated duplicate statement request system is used to enter a request for release of a duplicate copy of the any tax statement for tax years 2006 through the most current tax year. Requests for automated duplicate tax statements can be made by authorized field office and headquarters users by pressing the PF 9 DUP key on the Statement general (PF 15) tax screen.

NOTE: Annuitants can also request duplicate tax statements via the RRB website ([www.rrb.gov](http://www.rrb.gov)). These online requests are sent through the automated duplicate tax statement process.

NOTE: Tax statements for tax years prior to 2006 can no longer be requested through the automated duplicate statement request system.

Automated duplicate tax statement requests are stored in a transaction database for batch processing. The Duplicate Statement Request screen is linked to the Tax Accounting System (TAS) system and, specifically, to the Statement general tax screen (STMT or PF 15). Therefore, you must have access to TAS in order to access the duplicate (DUP) screen. For detailed instructions, refer to [TOM 3105.55](#).

Automated duplicate tax statements are printed and mailed from RRB headquarters in Chicago. The mailroom will enclose the appropriate taxation general information letter with the duplicate tax statement. The duplicate tax statement program is run each work day. This means that duplicate tax statements are printed each work day. Allow 5 to 7 work days for mail delivery from the date of the request. Duplicate tax statements addressed to foreign countries may take longer to arrive at their destination.

### **320.10 RRAILS Produced Duplicate Tax Statements**

RRAILS can be used to prepare Duplicate Tax Statement Forms; RRB-1099 Tax Statement for SSEB Annuity Payments, RRB-1099R Tax Statement for Annuities or Pensions and RRB-1042S Tax Statement for Non-Resident Aliens. This duplicate tax statement can be printed from your office printer.

NOTE: Duplicate statements created through RRAILS are not updated to the TAS database and are not reflected on the TAX STATEMENT SUMMARY screen. Therefore field offices should document in the contact log the preparation and issuance of a duplicate tax statement.

Access RRAILS. Detailed user procedure can be found in [FOM-1-1596.5](#).



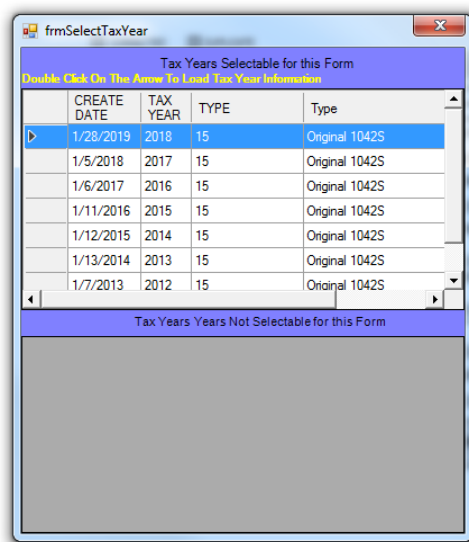
Select New Case to open the RRAILS New Contact client window. This will allow you to look up and download the beneficiary name, claim number, and address information.

**Note:** When creating duplicate statements on RRAILS, always select the PREH database to look up beneficiary information. This information will provide more complete data and will produce less errors than FSIS.

Once the beneficiary's information has been acquired, select the appropriate duplicate tax statement form from the RRAILS Shelf; RRB-1099, RRB-1099R, RRB-1042S, RRB-1099C (Combined 1099/1099R Form), RRB-1042SC (Combined 1042S/1099R) or RRB-1042S2 (Combined 1042S/1042S Form).

Name	Description
RR-0015	Rqst SSA DB Info
RR-0024	Notice of Election of RLS
RR-0025	Refer SS Off-Site Rep
RR-0080	SSA_Health_Insurance_Report
RRB-1042S	Tax_Statement_for_NonResident_Aliens
RRB-1042S2	Combined_1042S+1042S
RRB-1042SC	Combined_RRB-1042S+1099R
RRB-1099	Tax_Statement_for_SSEB_Annuity_Payments
RRB-1099C	Combined_RRB-1099+1099R
RRB-1099DW	SSA&RRB Forms SSA-1099 and 1042S Worksheet
RRB-1099R	Tax_Statement_for_Annuities_or_Pensions
RRB-W4P	Tax Withholding Election
SF-1081	CANCO-Medicare Voucher & Sched Funds
SF-1081	CANCO-Voucher & Sched Funds
SF-1081	TRACS-Voucher & Sched Funds
SSA-0831	Disability Determination
T-0003	SSA Overpayment Transmittal

The pop-up window shown below will appear in Word, along with the tax statement. The annuitant's name, address, claim number, payee code and recipient's identification number will be prefilled.



CORRECTED  DUPLICATE

Payer's Name, Street Address, City, State, and ZIP Code <b>United States Railroad Retirement Board</b> <b>844 N Rush St Chicago IL 60611-1275</b> Payer's Federal Identifying No. 36-3314600			<b>2018</b> Statement for Nonresident Alien Recipients of Payments by the Railroad Retirement Board		<b>Copy C - File with                  Recipient's Federal Tax Return</b> This information is being furnished to the Internal Revenue Service		
Unique Form Identifier		Amendment Number	6. Claim Number and Payee Code		7. Recipient's U.S. Taxpayer Identification Number		
			XA 999-99-9998 03		999-99-9999		
Recipient's Name, Street Address, City, State, and ZIP code			8. Recipient's Chapter 3 Status Code		9. Recipient's Date of Birth		
JANIS J JONES 279 CHESTER ST ST THOMAS ON N5R 1V7 CANADA							
			10. Gross Benefit Paid in the Year Shown Above		11. Benefit Repaid to RRB in the Year Shown Above		
			12. Net Benefit Paid in the Year Shown Above		13. Federal Tax Withheld		
1. Income Code	2. Chapter Indicator	3. Chapter 3 Status Code	14. Country		15. Tax Rate		
4. Chapter 4 Status Code		5. Employee Contributions		16. Exemption Code		17. Medicare Premium Total	
FORM RRB-1042S (01-19)							

Double click on the arrow to select the appropriate tax statement year. The duplicate tax statement form will be prefilled with the applicable tax statement information. The address may be modified, if necessary. Before mailing, enclose the appropriate taxation general information letter, i.e. TXL-1099, TXL-1042S, or TXL 1099R- with the duplicate tax statement(s). The letters can be found on RRAILS or the RRB website ([www.rrb.gov](http://www.rrb.gov)). In some situations, a special customized explanation letter may be released with the duplicate tax statement and corresponding TXL letters. See [TOM 315.15](#) for detailed information about the tax letters.



## **320.15 When to Release Duplicate Tax Statements**

Since all original automated tax statement mailer packets for the latest tax year are not required to be received until January 31, it should not be necessary to request duplicate tax statements prior to that date. Allow adequate mailing time from the date of the release by the contractor. Requests for duplicate tax statements for the latest tax year should be made beginning in February. Requests for duplicate tax statements for any tax year other than the latest tax year can be made at any time.

## **325 Corrected Tax Statements**

### **325.05 Overview**

The concept of the corrected tax statement is to provide the latest correct tax information to the annuitant and the IRS. Tax information includes the RRB claim number and payee code, taxpayer identification number (social security number, individual taxpayer identifying number, employer identification number), mailing address, payment amounts, repayment amounts, tax withholding amounts, workers' compensation offset amount, Medicare premium total, employee contributions amount, NRA tax withholding rate percentages (0%, 15% or 30%) for those taxed as nonresident aliens of the United States, and country of residence for tax purposes for those taxed as nonresident aliens of the United States.

Original tax statements are released in January of each year. Corrected tax statements can only be released after the corresponding original tax statements have been released. Corrected tax statements are released throughout the year as discrepancies or errors are identified by annuitants, tax preparers, Field Service, Tax Clerical Imaging Unit-Tax Section (TCIU-TS), and/or Policy and Systems – Payment Analysis and Systems (PAS). In most situations, the annuitant may question the validity of the information shown on the original tax statement that they received and contact their nearest field office for review of that tax statement. If the field office believes that an error is made on the original tax statement, the field office will contact TCIU-TS (by phone or email) and request a corrected tax statement. Field service does not issue corrected tax statements. TCIU-TS will review the original tax statement to determine if there is an error and if the error warrants the release of a corrected tax statement. In some situations, TCIU-TS may forward the inquiry to the tax analysts in PAS for review, investigation and/or determination of a corrected tax statement. In addition, PAS may also identify errors and/or determine if a particular category of cases require corrected tax statements. Based on volume, PAS may need to determine if TCIU-TS will manually produce corrected tax statements or if the corrected tax statements can be produced mechanically. We issue about 645 manually produced corrected tax statements per year.

Corrected tax statements can be released for any tax year. However, we try to only issue corrected tax statements for the latest tax year plus three prior tax years.

The box labeled, CORRECTED, in the top left hand corner of the paper tax statement form will be checked with an "X" to indicate a corrected tax statement or a duplicate of a corrected tax statement (duplicate box will also be checked). The tax year the corrected tax statement represents will be printed in the center of the corrected tax statement next to the label, TAX YEAR. In addition, the date the corrected tax statement was produced is shown in the top right hand corner of the corrected tax statement. This date helps to identify the latest dated tax statement.

Corrected tax statement information is updated to the tax database and the Statement general tax screen (STMT, PF 15). The corrected tax statement can be viewed and is indicated as a "corrected" on the tax screen.

A TL-265 letter (explains the corrected tax statement) or a special customized explanation letter will be released with a corrected tax statement. In addition, the appropriate TXL letters (TXL-1099, TXL-1042S and TXL-1099R) which explains the box items found on the corrected tax statement will be released with a corrected tax statement.

The Tax Clerical Imaging Unit-Tax Section (TCIU-TS) is the section responsible for issuing corrected tax statements. Field offices do not produce or issue corrected tax statements. Corrected tax statements are manually produced on the personal computer (PC generated) and are only produced after the corresponding original tax statement was issued.

The RRB sends all tax information reported on corrected tax statements to the IRS (usually in August each year). Original and corrected tax statement information is sent to the IRS using cartridges, disks or the IRS secure website called, Filing Information Returns Electronically (FIRE) system. Therefore, recipients of corrected tax statements must use the latest dated corrected tax statements (and any original tax statements that the RRB has not corrected) when filing and/or amending their income tax return(s) for the tax year indicated on the corrected tax statement(s).

Refer to the TAX Statement Summary General Tax screen (PF 14) and/or the Statement General Tax screen (PF 15) in order to determine if a corrected tax statement is required. Be sure that an original annual automated tax statement was issued. Refer to [TOM 325.10.05](#), Requesting Corrected Tax Statements.

Special attention should be given to the following:

- If there is no SSEB amount or repaid amount, a Form RRB-1099 (for citizens or legal residents of the United States) or Form 1042S (for NRAs) was not

released. This will include situations where the beneficiary was not entitled to tier 1 or the O/M (special guaranty) amount. Similarly affected are those beneficiaries who had a tier 1, but no SSEB (i.e., 60/30 annuitants under age 62 and occupational disability annuitants without a disability freeze).

- Prior to tax year 1992, no Form RRB-1099R was released in Three-Year Rule cases, if the contributory amount (tier 2 plus NSSEB amount) was not yet taxable because the employee's contributions had not been recovered, and no vested dual benefit or supplemental annuity was paid in the tax year.

For tax year 1986, General Rule annuitants were sent Form RRB-1099R tax statements erroneously computed under the Three-Year Rule. If these General Rule annuitants requested a corrected Form RRB-1099R for tax year 1986, we sent out a Form RRB-1099R tax statement (not the Form RRB-1099R (12-92)) computed under the Three-Year Rule.

#### MAILING ADDRESS ON CORRECTED TAX STATEMENTS:

The mailing address shown on a corrected tax statement may not be the same as the mailing address shown on the previously issued tax statement. This is because TCIU-TS examiners have the ability to change the mailing address on a corrected tax statement with the latest and most current available mailing address. Therefore, the mailing address shown on corrected tax statements is either the address that was on RRB records at the time the previously released tax statement was issued OR the latest address shown on DATAQ OR the address provided by the person requesting the corrected tax statement. As a result, the mailing address shown on the corrected tax statement should be the most current mailing address. Changing the mailing address for a corrected tax statement will not change the address shown on DATAQ. If the mailing address is different from the mailing address shown on DATAQ, a change of address (COA) should be made using standard COA procedures. Recipients of corrected tax statements should review the mailing address shown on the tax statement. If the mailing address is incorrect or incomplete, the recipient should immediately contact and provide the RRB with the correct and complete mailing address.

#### INCORRECT TAXPAYER IDENTIFYING NUMBER (TIN):

Annuitants and field offices should request a corrected tax statement when the error on the tax statement is an incorrect taxpayer identifying number (TIN). This error is rare and as a result, we have a very small volume of these cases. A TIN, according to Internal Revenue Service (IRS) regulations, is a nine-digit number that is either a United States social security number (SSN), a United States individual taxpayer identification number (ITIN) or an employer identification number (EIN). A TIN is assigned to individuals by the Social Security Administration (SSA) or the IRS. Generally, a SSN is assigned to a U.S. citizen, an ITIN is assigned to a nonresident alien, and an EIN is assigned to an Estate.

A TIN (SSN or ITIN or EIN) is the tax statement recipient's identification number shown in Box 2 on all tax statements. The TIN shown on the tax statement will be reported to the IRS. As a result, IRS (as well as the RRB) will associate all payments, repayments and tax withholding amounts to the TIN shown on the tax statement. Therefore, if the tax statement shows an incorrect TIN, contact TCIU-TS by phone, memorandum, letter correspondence or e-mail and advise TCIU-TS of the correct TIN (SSN, ITIN or EIN).

TCIU-TS will issue a "corrected" set of tax statements with the incorrect TIN (SSN, ITIN, EIN) shown in Box 2 of the tax statements. This corrected set will report zero payment, repayment, and tax withholding amounts for the incorrect TIN. As a result, the amounts reported to IRS (as well as RRB records) under the incorrect TIN will be canceled. The zero corrected tax statements (and any other documentation such as worksheets, memos, notes or letters) may be imaged for folder documentation. The corrected zero tax statements may be updated to the Statement general tax screen (PF 15). In some situations, the tax analyst in Policy & Systems may contact IRS to inform IRS of the tax statement showing the incorrect TIN.

We do not want to release a tax statement showing a TIN to an individual who is not assigned that TIN. This insures privacy of an individual's TIN and prevents identity theft. Therefore, the zero corrected tax statement may be sent to the individual (if the name and address is known) who is assigned the TIN that was incorrectly reported on a previously issued RRB tax statement. You may have to request a SSA MBR using the TIN to obtain the individual's name and mailing address. (This is especially true if the individual is a non-railroad beneficiary and therefore not in any RRB database.) A customized explanation letter will be sent to the individual explaining the situation. The letter may be sent alone or with the zero corrected tax statement. Information from the zero corrected tax statement may be sent to the IRS or the tax analyst in P&S may contact the IRS so that the IRS cancels the original tax statement under the same TIN.

TCIU-TS will then issue an "original" set of tax statements with the correct TIN (SSN, ITIN, EIN) shown in Box 2 of the tax statements. This original set will report the payment, repayment and tax withholding amounts for the correct TIN. As a result, the amounts will be associated with the correct TIN and will be reported to IRS. In addition, RRB records will be correct. The original tax statements showing the correct TIN will be sent to the correct individual. A customized explanation letter or TL-266 (standard letter that accompanies original tax statements) will be sent to the individual with the original tax statements.

NOTE: If you are unsure as to how to handle corrected tax statements with an incorrect TIN, please refer the case to the tax analysts in Policy and Systems.

In summary, TCIU-TS will correct the TIN on the tax statement(s) by preparing two sets of tax statements (corrected and original) in the following manner:

- A corrected copy set containing all identifying data as originally issued will be prepared. All box items involving money amounts will be filled with an -0-. This set will contain the erroneous TIN in Box 2 of the tax statement(s). This zero corrected tax statement with the incorrect TIN may be sent to the IRS.
- Customized explanation letters may be sent to the affected individuals.
- An original set containing all correct identifying data will be prepared. All box items will contain the correct values. The correct TIN will be in Box 2 of the tax statement(s). This original tax statement with the correct TIN will be sent to the individual and IRS.
- If tax statements are sent to individuals, the appropriate TXL letters that explains the box items on the tax statement may be sent to accompany the tax statements.
- Make any necessary corrections for the TIN on-line.
- Send to Imaging all necessary documentation concerning the case (tax statements, tax statement worksheets, letters, memos, e-mails, notes, etc.) for future reference.

Any corrected Form RRB-W-2P tax statements for years prior to tax year 1991 will be printed on Form RRB-1099R (01-98). There will be an extremely small volume for this category of corrected tax statements.

#### INCREASING OR DECREASING TAX WITHHOLDING AMOUNTS ON CORRECTED TAX STATEMENTS:

A corrected tax statement may show an increase in tax withholding ONLY IF the tax withholding amount shown on the original or previously issued corrected tax statement DOES NOT represent all of the taxes actually withheld from one or more payments and deposited with the U.S. Treasury in the tax year in question. There is no need to send case referrals/inquiries involving an increase in tax withholding to Policy & Systems – Payment Analysis and Systems (P&S-PAS).

A corrected tax statement may show a decrease in tax withholding ONLY IF P&S-PAS has approved of the decreased tax withholding amount. Therefore, TCIU tax examiners, field office staff or other interested parties should refer all case referrals/inquiries involving a potential decrease in tax withholding to PAS. PAS (tax analysts) will approve the decrease in tax withholding only if the tax withholding amount shown on the original or previously issued corrected tax statement DOES NOT represent taxes actually withheld from one or more

payments and deposited with the U.S. Treasury in the tax year in question and if timing restrictions imposed by the IRS are met.

If we included tax withholding on a tax statement that has been issued to the annuitant and the taxes were actually withheld from one or more payments and deposited with the U.S. Treasury, any corrected tax statement issued MUST contain that tax withholding amount. Refer to [TOM 20.35](#), RRA Taxation Guidelines and Principles – Tax Withholding, principle 4.

#### MEDICARE PREMIUM CORRECTIONS:

If the Medicare premium total and any other item shown on the tax year 1997 and later tax statement(s) are in error, then a corrected tax year 1997 and later tax statement should be issued showing the corrections for both the Medicare premium total and the other item(s). A corrected tax statement can be on either the mainframe generated or personal computer (PC) generated standalone tax statement forms.

However, if only the total Medicare premium total is in error, then we will not issue a corrected tax year 1997 and later RRA tax statement. A corrected tax year 1997 and later RRA tax statement is not necessary since the Medicare premium total is only for informational purposes only. In addition, we are not legally obligated by IRS to report the Medicare premium total on our tax statements. If the Medicare premium total amount on tax year 1997 and later RRA tax statements is the only item in error and the correct Medicare premium amount has been verified by TCIU-TS and/or Medicare Unit (MU), then TCIU-TS and/or MU will issue a "letter" stating the correct Medicare premium total amount.

#### **325.10.05 Requesting Corrected Tax Statements**

Requests for corrected annual tax statements should be sent to TCIU-TS via OUTLOOK e-mail (TCIU-TS Group Mailbox). The request should include: the annuitant's name, the RRB claim number, the tax year(s) needing correction(s), the type of tax statements needing correction(s), a brief explanation of the problem, sender's location (field office), the sender's name, phone and/or fax number (include area code), and e-mail address.

#### **325.10.10 Handling Tax Inquiries**

You should be able to answer most questions with a general explanation of how RRA benefits are taxed. The general TAX screens can be accessed to aid in field inquiries. Data from manually prepared original and corrected tax statements is updated to TAX screens PF14/PF15 on a regular basis. Page 2 of the statement tax record (PF15 then press PF13) also contains items directly related to statement amounts, but not shown on the tax statements. The general TAX screens will be changed for current year activity. Please note that the on-line RRB W-4P Election Process Screens (PF2) are on the Selection Menu. Also,

the information concerning IRS Form W-4V, Voluntary Withholding Certificate, is shown on the Withholding Election (PF 18) general tax screen.

TAX STATEMENT TYPE CODES and CODE DESCRIPTIONS:

11	Original Forms RRB-1099 and RRB-1099R
12	Original Forms RRB-1042S and RRB-1099R - <b>Obsolete</b>
13	Original Form RRB-1099R only
14	Original Form RRB-1099 only
15	Original Form RRB-1042S only
16	Original Form RRB-1042S and RRB-1042S
21	Corrected Forms RRB-1099 and RRB-1099R
22	Corrected Forms RRB-1042S and RRB-1099R - <b>Obsolete</b>
23	Corrected Form RRB-1099R only
24	Corrected Form RRB-1099 only
25	Corrected Form RRB-1042S only
26	Corrected Forms RRB-1042S and RRB-1042S
31	Corrected Form RRB-1099/Original Form RRB-1099R
32	Corrected Form RRB-1042S/Original Form RRB-1099R - <b>Obsolete</b>
36	Original Form RRB-1042S/Corrected Form RRB-1042S
41	Original Form RRB-1099/Corrected Form RRB-1099R
42	Original Form RRB-1042S/Corrected Form RRB-1099R - - <b>Obsolete</b>
999	No tax statements necessary.

- Beneficiary tax inquiries received in Headquarters and the preparation of original and corrected manual tax statements will be handled by the

Unemployment and Programs Support Division's Tax Clerical Imaging Unit-Tax Section (TCIU-TS).

- Any Congressional and Board Member Office (for example, LMOs) inquiries should be sent to the Director of Unemployment and Programs Support Division. .

All requests received from annuitants at Headquarters will also be sent an e-mail OR acknowledgment letter, Form TXL-82F (8-10), by TCIU-TS.

All annuitant requests for corrected or original tax statements received by field offices should be acknowledged by sending Form TXL-82F (8-10) to the annuitant.

Annuitants who received bypass notices should not be sent Form TXL-82F since they were previously informed of the delay of their tax statements in the TL-269 bypass letter or special customized explanation letter.

### **325.15.15 Duplicate Corrected Tax Statements**

Automated duplicate corrected statements can be released only if a manual corrected statement has been released and updated to TAX screens PF14/15. These type of tax statements are called "duplicate of a corrected" tax statement. Both boxes labeled DUPLICATE and CORRECTED will be checked on the paper tax statement. The Statement general tax screen (PF 15) will show "duplicate of corrected" tax statement.

We are not able to process duplicate requests for statements created prior to 2006. Duplicates of corrected statements are requested in the same manner as duplicate statements. See [TOM 320.05](#), Automated Duplicate Statements.

## **330 Repayments on Tax Statements**

A repayment, for RRA tax statement reporting purposes, is the return or recovery to the\_RRB of an amount previously paid.

The return of an amount previously paid is:

- Return of a paper check, or
- Return of an electronic funds transfer (EFT) payment.

The recovery of an amount previously paid is:



- Full reimbursement by cash, personal check, cashier's check, money order, or credit/debit card (refer to the section below entitled, Cash Refunds for Overpayments Involving Current Year Tax Withholding);
- Partial reimbursement by cash, personal check, cashier's check, money order, or credit/debit card (refer to the section below entitled, Cash Refunds for Overpayments Involving Current Year Tax Withholding);
- Installment payments over a specified period of time by cash, personal check, cashier's check, money order or credit/debit card;
- Full annuity withholding by annuity suspension for one or more months;
- Partial annuity withholding by annuity offset for one or more months;
- Recovery from an annuity accrual payment of the overpaid beneficiary or any family member (for example: employee, spouse, widow, divorced spouse, or child) of the overpaid beneficiary;
- Actuarial adjustment for the life of the annuity;
- Reclamation (check or EFT) due to annuity terminations or non-receipt;
- Receipt of an amount collected by the Office of Inspector General (OIG);
- Receipt of an amount collected by the Department of Justice (DOJ);
- Receipt of an amount collected by an official RRB designated collection agency (see [RCM 6.6.230](#), Delinquent Debt Referrals to Private Collection Agencies), or
- Receipt of an amount withheld (offset) from an U.S. Federal income tax refund (see [RCM 6.6.240](#), IRS Tax Refund Offset Program).

A repayment is reportable for the tax year in which the repayment transaction (return or recovery) occurs at the RRB. The phrase "at the RRB" refers to RRB headquarters, field offices, and RRB deposit accounts. Refer to the section below entitled, Two Conditions to Accept Repayments for Tax Purposes.

NOTE: A current year pension (NSSEB, tier 2, VDB, supplemental annuity) repayment is one that occurs in the same year as the payment it represents. A current year pension repayment may not be reported on an annual tax statement. This is because the current year pension payment that a current year repayment represents was never reported on a tax statement as a taxable paid amount. To compensate, we net any current year pension repayment accumulated for tax statement reporting purposes from any like current year pension payment accumulated for tax statement reporting purposes. In these situations, we report

neither the current year repayment amount nor the corresponding current year payment amount.

We similarly net award accrual pension payments returned or recovered in the year of issue by allocating the accrual returns as negative payments and negative deductions. In these situations, the negative amounts offset the positive amounts, both by component and tax year, and we report neither the accrual payments nor the returns/recoveries.

Refer to [RCM 6.6](#), Recovery of Overpayments, for more information. In addition, refer to [TOM 20.20](#), RRA Taxation Guidelines and Principles – Recoveries – Positive Repayments and Negative Payments, for information concerning repayments. Refer to [TOM 20.45](#), RRA Taxation Guidelines and Principles – Who Should Receive Tax Statements, for information concerning who should receive tax statements if a repayment is made.

### **Two Conditions to Accept Repayments for Tax Purposes:**

There are two conditions for a repayment to be reported on a tax statement for a tax year. Refer to the NOTE above concerning current year pension repayments. If both of the following conditions are not met, then we cannot report the repayment on the tax statements.

If you are unsure as to which tax year to attribute a repayment, please refer the case to the tax analysts in Policy and Systems.

#### **1. Repayment Payable to RRB – Any repayment must be payable to the RRB.**

The overpayment letters issued by the RRB instruct beneficiaries to make repayments by sending any check, money order or credit/debit card charge, payable to the “Railroad Retirement Board.”

Any repayment (reimbursement) made by personal check, cashier’s check, money order, or credit/debit card must be made payable to the RRB in order for the RRB to apply repayment credit. The check, money order, or credit/debit card must be made payable to the RRB so that the RRB can negotiate (cash) or deposit the repayment amount into any RRB financial (bank) account. In the event that the check or money order was made payable to an RRB official and/or RRB department (for example, Field Office representative, Director of Unemployment and Programs Support Division, Office of Inspector General, Bureau of Fiscal Operations, Debt Recovery Division), the check or money order must be endorsed over to the RRB agency. Refer to [RCM 6.6.30](#), Methods of Recovery. Also, refer to [TOM 2315.35](#), Cash Refund and Credit Card Repayment.

#### **2. Proof of Repayment Date to Determine Which Tax Year to Credit Repayment – We need the date the repayment was received at the RRB to attribute**

(credit) the repayment to the appropriate tax year. The phrase “at the RRB” refers to RRB headquarters, field offices, and RRB deposit accounts.

A repayment is reportable on a tax statement for the tax year in which the repayment transaction (return or recovery) occurs at the RRB. To attribute a repayment to a particular tax year, use the EARLIEST DATE of the following transactions (see NOTE 1 below).

- Date repayment was actually received at the RRB or returned to the RRB (look for the official RRB date stamp),
- Date repayment(s) were withheld from recurring annuity payments,
- Date accrual or one payment only (OPO) was established with a vouchered award action and applied to the overpayment,
- Date accrual or OPO was established without a vouchered award action (G-363 or PC equivalent) and applied to the overpayment,
- Date shown on any paper receipt given to beneficiaries by RRB field office or headquarters staff,
- Date repayment was cashed by the RRB,
- Date repayment was charged by the RRB for credit/debit card transactions,
- Date repayment was endorsed over to the RRB agency if it was erroneously made payable to an RRB office or official rather than the agency,
- Date repayment was deposited into Lockbox (refer to NOTE 2 below),
- Date repayment was deposited into Unapplied Cash Account,
- Date repayment was deposited into an overpaid account, or
- Date shown on PAR screen as the date repayment was made.

NOTE 1: Examiners and analysts may have to request claim folders, contact field offices, check the Imaging system, check PAR screens and tables, and/or request copies of checks and Lockbox information from BFO-DRD to obtain all necessary information in order to determine the earliest date.

NOTE 2: The Lockbox is a deposit account used by the RRB to receive reimbursements. The Unapplied Cash Account is an all-purpose deposit

account sometimes used by the RRB to temporarily hold money received prior to allocation to an overpaid account.

### **Impact of Two Conditions on the Reporting of Repayments on Tax Statements:**

- If a repayment was received in a year and meets the above two conditions, then the repayment should be reported on the “original” tax statements for that year.
- If a repayment was received in a year and meets the above two conditions but was not reported on the original tax statements for that year, then “corrected” tax statements for that year should be issued reporting the repayment.

### **Cash Refunds for Overpayments Involving Current Year Tax Withholding:**

- Cash refund amount is net of tax withholding (after offset for tax withholding)

When a cash refund is made in the current year for a current year overpayment and the amount of the cash refund is net of (after) tax withholding, the cash refund transaction should be posted so that the current year tax withholding amounts are negated and give current year repayments equal to the amount of the cash refund received. Repayment amounts should not exceed the gross payments and should never exceed the amount of the cash refund actually received. By negating the taxes, we can recover current year tax withholding amounts from the agency’s tax deposits. If handled correctly, the current year tax statements will contain the correct payment, repayment, and tax withholding totals.

Recovery of accrual pension paid amounts (NSSEB, tier 2, VDB, and supplemental annuity) recovered in the year of issue should be posted as negative paid amounts rather than positive repaid amounts. Recovery of accrual SSEB paid amounts recovered in the year of issue should be posted as positive repaid amounts.

#### **Example 1:**

John Smith is paid a “gross” monthly railroad retirement benefit of \$1,000.00 in the current year. Taxes of \$125.00 are withheld from that monthly benefit. Therefore, John is paid a “net” monthly railroad retirement benefit of \$875.00. John returned to railroad service for two months in the current year. John is overpaid \$2,000.00 (\$1,000.00 x 2 months) for those two months. John made a cash refund of \$1,750.00 (\$875.00 x 2 months) in that same year. John made a repayment equal to his net payments. We should post positive current year repayments of \$1,750.00 since that is the

amount actually received. We should post negative tax withholding amounts of \$250.00 (\$125.00 TWH x 2 months).

#### Example 2:

John Smith is paid a “gross” accrual benefit in the current year of \$2,000.00 (\$1,000 SSEB CY + \$750 NSSEB CY + 250 tier 2 Post 1983). Taxes of \$550.00 (\$300 SSEB + \$200 NSSEB + \$50 tier 2) are withheld from that accrual. Therefore, John is paid a “net” accrual of \$1,450.00 (\$2,000 accrual payment - \$550 tax withholding). John is not entitled to the accrual payment and is overpaid the full \$2,000.00. John made a cash refund of \$1,450.00 in that same year. John made a repayment equal to his net accrual payment. We will report a total recovery amount of \$1,450.00 since that is the actual amount that we received. Therefore, we should post a positive \$700 SSEB current year repayment for the recovery of the SSEB portion and we should post a negative \$550 NSSEB current year paid and a negative \$200 tier 2 post 1983 paid for the recovery of the pension portion. We should post total negative tax withholding amounts of \$550.00 (negative \$300 SSEB TWH + negative \$200 NSSEB TWH + negative \$50 tier 2 TWH) to recover all of the current year taxes withheld and deposited.

- Cash refund amount is gross of tax withholding (before offset for tax withholding)

When a cash refund is made in the current year for a current year overpayment and the amount of the cash refund is gross of (before) tax withholding, the cash refund transaction should be posted so that the current year tax withholding amounts are negated and give current year repayments equal to the amount of the cash refund received. Repayment amounts should not exceed the gross payments and should equal the amount of the cash refund actually received. By negating the taxes, we can recover current year tax withholding amounts from the agency tax deposits. If handled correctly, current year tax statements will contain the correct payment, repayment, and tax withholding totals.

Recovery of accrual pension paid amounts (NSSEB, tier 2, VDB, and supplemental annuity) recovered in the year of issue should be posted as negative paid amounts rather than positive repaid amounts. Recovery of accrual SSEB paid amounts recovered in the year of issue should be posted as positive repaid amounts.

#### Example 1:

John Smith is paid a “gross” monthly railroad retirement benefit of \$1,000.00 in the current year. Taxes of \$125.00 are withheld from that monthly benefit. Therefore, John is paid a “net” monthly railroad retirement benefit of \$875.00. John returned to railroad service for two months in the current

year. John is overpaid \$2,000.00 (\$1,000.00 x 2 months) for those two months. John made a cash refund to the RRB of \$2,000.00 (\$1,000.00 x 2 months) in that same year. John made a repayment equal to his gross payments. We should post positive current year repayments of \$2,000.00 since that is the amount actually received. We should post negative tax withholding amounts of \$250.00 (\$125.00 TWH x 2 months).

#### Example 2:

John Smith is paid a “gross” accrual benefit in the current year of \$2,000.00 (\$1,000 SSEB CY + \$750 NSSEB CY + 250 tier 2 Post 1983). Taxes of \$550.00 (\$300 SSEB + \$200 NSSEB + \$50 tier 2) are withheld from that accrual. Therefore, John is paid a “net” accrual of \$1,450.00 (\$2,000 accrual payment - \$550 tax withholding). John is not entitled to the accrual payment and is overpaid the full \$2,000.00. John made a cash refund of \$2,000.00 in that same year. John made a repayment equal to his gross accrual payment. We will report a total recovery amount of \$2,000.00 since that is the actual amount that we received. Therefore, we should post a positive \$1,000 SSEB current year repayment for the recovery of the SSEB portion and we should post a negative \$750 NSSEB current year paid and a negative \$250 tier 2 post 1983 paid for the recovery of the pension portion. We should post total negative tax withholding amounts of \$550.00 (negative \$300 SSEB TWH + negative \$200 NSSEB TWH + negative \$50 tier 2 TWH) to recover all of the current year taxes withheld and deposited.

### 330.05 Repayments Shown On Tax Statements

It is important to remember certain points about repayment amounts as they pertain to the tax statements:

- Social Security Equivalent Benefit (SSEB) portion of tier 1 repayments are reported on Form RRB-1099 (for citizen beneficiaries) or Form RRB-1042S (for NRA beneficiaries).
- Non-Social Security Equivalent Benefit (NSSEB) portion of tier 1, tier 2, vested dual benefit (VDB) and supplemental annuity repayments are considered as pension repayments and are reported on Form RRB-1099R for both citizen and NRA beneficiaries prior to tax year 2018. Starting in tax year 2018, NRAs will receive a Form RRB-1042S reporting the portion of their benefit considered as pension.
- On Forms RRB-1099 and RRB-1042S tax statements, the entire Social Security Equivalent Benefit (SSEB) portion of tier 1 amount paid in the current tax year and repaid in the current tax year is shown on the tax statements in separate items. We also show an item for the net SSEB amount for the current tax year which is the difference between the SSEB

paid in the current tax year minus the SSEB repaid in the current tax year. No consideration is given to when the overpayment occurred, only that the repayment was made in the current tax year.

- Pre-SSEB and SSEB repayments are reportable on Form RRB-1099 and Form RRB-1042S tax statements regardless of whether the amounts repaid were ever reported to the IRS as taxable payments. Pre-SSEB repayments are tier 1 repayments for years before 1986, including years before 1984. Refer to [TOM 20.20](#), RRA Taxation Guidelines and Principles – Recoveries – Positive Repayments and Negative Payments, for additional information.
- A pension (NSSEB, tier 2, VDB, and supplemental annuity) repayment is reportable on the Form RRB-1099R or the Form RRB-1042S tax statements only if the amount repaid was previously reported as a taxable payment on any annual tax statement.
- Whenever we exclude reporting on tax statements of any Pre-SSEB, NSSEB, tier 2, VDB, or supplemental annuity amounts issued AFTER the death of an annuitant, we do not report a repayment on tax statements for recovery of one of these payments. Refer to [TOM 20.20](#), RRA Taxation Guidelines and Principles – Recoveries – Positive Repayments and Negative Payments, for additional information.
- Whenever we report on tax statements of any Pre-SSEB, SSEB, NSSEB, tier 2, VDB, or supplemental annuity amounts issued AFTER the death of an annuitant, we will report a repayment on tax statements for recovery of one of these payments. The repayments will be reported on tax statements for the tax year that we received the repayments at the RRB. In most cases, the repayments will be reported on the tax statements for the tax year following the annuitant's year of death. Refer to [TOM 20.20](#), RRA Taxation Guidelines and Principles – Recoveries – Positive Repayments and Negative Payments, for additional information.

For Form RRB-1099R and Form RRB-1042S, a prior (earlier) year repayment amount which is the accumulation of the repayments for NSSEB, tier 2, VDB and supplemental annuity amounts taxable in a previous (earlier) year, or NSSEB, tier 2, VDB and supplemental annuity repayments that we have not identified or attributed as current year repayments made to the RRB in the current tax year are shown in Box 8, Repayments. For information on how to handle prior year repayment amounts, refer to IRS Publication 575, Pension and Annuity Income, and/or IRS Publication 525, Taxable and Nontaxable Income.

In order to determine what credit a beneficiary may take for a pension repayment amount, the individual needs to know the years to which the repayment applies. In most cases, if the overpayment occurred and was repaid in the current tax

year, the repaid amount has already been subtracted from the total gross paid amount. However, in some cases, it is not known when the overpayment occurred. In these situations, a current tax year overpayment and repayments may not have been subtracted from the Total Gross Paid, but is instead included in the Repayments amount.

Field offices are contacted by beneficiaries for assistance concerning which year(s) the repayment amounts apply, the field offices may be able to identify the years by reviewing imaged copies of overpayment letters.

- Field office personnel should direct any inquiries about repaid amounts on Forms RRB-1099R and Form RRB-1042S that they cannot handle to TCIU-TS.
- If an annuity is in code 35, 36, 69, and 95 suspense (all code 66 in TAS and RECURRE tax screens) to recover an overpayment by full withholding, tax statement(s) will be released showing the amount(s) paid and repaid for the tax year. Generally, the RECURRE tax screen with code 66 will show paid amounts equal to repaid amounts in the same annuity components, and tax withholding will not be applied. Even though the person is not receiving monthly payments directly, the IRS considers the payments as income because the RRB is acting as the person's agent by receiving the annuity payments and applying those payments toward the overpayment on the person's behalf. Therefore, the annuity is considered paid for the current tax year and the overpayment is being repaid for the current and/or prior tax years.

If you need information concerning a specific prior year repayment amount by individual annuity component (the NSSEB portion of tier 1, tier 2, VDB and supplemental annuity), then you can obtain this information from the Recurring and/or Non-Recurring Payment Breakdown general tax screens.

The repayment amounts shown under the REPAID column of the Recurring Payment Breakdown general tax screen (PF20) continues to be displayed as separate individual annuity component prior year repayment amounts. See [TOM 3105.40.05](#)

The repayment amounts shown under the REPAIDS column of the NON-Recurring Payment Breakdown general tax screen (PF22) continues to be displayed as separate individual annuity component prior year repayment amounts, also. See [TOM 3105.45.05](#).

### **335 IRS Form 1099-C, Cancellation of Debt**

In accordance with section 6050P of the Revenue Reconciliation Act of 1993, the U.S. Railroad Retirement Board (RRB) is required to report the cancellation of a



debt of \$600.00 or more for overpayments which were not taxable (nontaxable) when originally paid. In most cases, these are payments that occurred prior to 1984 or other nontaxable payments (such as lump sum death payments). These payments were not reported as taxable payments on any Railroad Retirement Act (RRA) tax statement (Form RRB-1099, Form RRB-1042S, Form RRB-1099R). The amount of the canceled debt must be reported to the Internal Revenue Service (IRS) on IRS Form 1099-C, Cancellation of a Debt.

Therefore, effective with tax year 1994 and later, the RRB will issue and release IRS Form 1099-C, Cancellation of Debt, in these cases. The IRS Form 1099-C tax statement must be issued to beneficiaries by January 31. In addition, the RRB must report all IRS Form 1099-C tax statement information (i.e., number of IRS Forms 1099-C issued and total amount canceled) to the IRS by filing Form 1096, Annual Summary and Transmittal of U.S. Information Returns, tax return with the IRS by February 28.

Unlike our other RRA tax statement forms (Form RRB-1099, Form RRB-1042S, and Form RRB-1099R), the RRB has not created its own version of the IRS Form 1099-C since the volume of use for this tax statement form is low. Each year, the Policy & Systems – Payment Analysis and Systems (P&S-PAS) tax analyst requests blank copies of IRS Form 1099-C tax statements from the IRS rather than create an RRB tax statement form. Copies of blank IRS Form 1099-C tax statements can be obtained from the IRS by calling the IRS at 1-800-829-3676 or accessing the IRS website ([www.irs.gov](http://www.irs.gov)) and printing copies of the tax statement form.

As the years progress, we expect to issue and release only a few to zero IRS Forms 1099-C for each tax year.

**NOTE:** Due to the low volume of cases involving IRS Form 1099-C tax statements, the Policy & Systems – Payment Analysis and Systems (P&S-PAS) tax analysts handle all IRS Form 1099-C tax statements and explanation letters. Refer all inquiries concerning IRS Form 1099-C to P&S-PAS.

If no IRS Forms 1099-C are issued for a tax year, then there is no need to file Form 1096, Annual Summary and Transmittal of U.S. Information Returns, tax return for that tax year.

There are three copies of IRS Form 1099-C tax statement. Beneficiaries only receive Copy B of IRS Form 1099-C. Beneficiaries do not receive Copy A or Copy C of IRS Form 1099-C. Copy A is sent to the IRS and Copy C is for the creditor (RRB).

Copies of the beneficiaries' IRS Forms 1099-C and any accompanying explanation letters will be sent to Imaging for documentation and future reference.

### 335.05 General

For tax years 1994 through 1998, the Tax Clerical Imaging Unit-Tax Section (TCIU-TS) handled the record keeping and issuance of IRS Form 1099-C tax statement while Policy and Systems – Payment Analysis and Systems (PAS) issued the Form 1096 income tax return (reports IRS Form 1099-C tax statement information).

Effective with tax year 1999 and later, PAS began handling the record keeping and issuance of both IRS Form 1099-C tax statements and Form 1096 income tax return due to the low volume of IRS Form 1099-C tax statements.

Due to the low volume, we anticipate that PAS not TCIU-TS will continue to handle the IRS Form 1099-C tax statement and tax return process. However, should this situation change, the instructions that follow can be used by the work group or individuals assigned to handle the issuance of the IRS Form 1099-C tax statements. PAS will continue to issue the tax return.

In most cases, the claims adjudication units calculate the amount of the overpayment and notify the beneficiary of the amount that is owed to the RRB by issuing an overpayment letter. In addition, a PAR record for the overpayment amount is established. Recipients of the overpayment letters either reimburse the RRB by full repayment or partial repayment (installments) OR do not reimburse the RRB. For those who repay, no debt is waived or canceled. For those who do not repay, then the debt is either left open or waived/canceled. If the debt is left open or the debt is waived/canceled and under \$600.00, no IRS Form 1099-C is issued. If the debt is waived/canceled AND is \$600.00 or more AND was nontaxable when originally paid AND was not reported as a taxable payment on any RRA tax statement, then an IRS Form 1099-C tax statement is due the debtor.

The responsibility of the Bureau of Fiscal Operations-Debt Recovery Division (BFO/DRD) and the Bureau of Hearings and Appeals (BHA) is to make the determination as to whether or not the debt that is owed to the RRB should be canceled (waived). If BFO/DRD and/or BHA determines that the debt should be canceled, then BFO/DRD and/or BHA will close out the debt on PAR and issue the debtor a **waiver confirmation letter**. The letter confirms that the debt has been canceled (waived) and no further recovery action will occur even if money becomes available.

The responsibility of P&S-PAS is to issue and report the waivers to the debtors (on IRS Form 1099-C tax statements) and the IRS (on Form 1096 tax return). P&S-PAS does not make any waiver/cancellation determination or issue waiver confirmation letters.

Prior to tax year 1998, if it was determined that the debt should be waived, then BFO/DRD or BHA closed the debt on PAR and sent a waiver confirmation letter

to the debtor stating that the debt has been waived/canceled and no further recovery action would occur. BFO/DRD or BHA then completed a waiver case worksheet with the following beneficiary information: name, address, social security number, RRB claim number, amount of the debt to be waived, and the date when the debt was waived. Upon completion of the waiver case worksheet, BFO/DRD or BHA sent the waiver case worksheet to TCIU-TS or the PAS tax analysts. However, if TCIU-TS (or PAS tax analysts) received a waiver case worksheet which did not contain the required beneficiary information, then TCIU-TS (or PAS tax analysts) returned the waiver case worksheet to BFO/DRD or BHA for completion.

Effective with tax year 1999 and later, PAS began handling the issuance of the IRS Form 1099-C tax statements and Form 1096 tax return process. The cases that had debts waived/canceled are shown on PAR. PAR shows the amount of the debt waived/canceled, type of debt (overpayment), and the date the debt was waived/canceled. Since all necessary information is shown in PAR, PAS no longer asked for the waiver case worksheet from BFO/DRD or BHA. Instead, PAS asked BFO to run a query against the PAR database to identify all nontaxable debts waived for a tax year, i.e....Residual Lump Sum (07A), Lump Sum Death Payment (08A), Separation Allowance Lump Sum Amount (09A) and Tax Refund (12A). The responsibility of the PAS tax analysts is to complete the IRS Form 1099-C and accompanying explanation letter.

The explanation letter provides the following information: 1) beneficiary's name and address; 2) RRB claim number; 3) the reason why beneficiaries received a IRS Form 1099-C; 4) the amount of the debt to be canceled (waived) and the date when the debt was cancelled (waived); 5) interest, penalties, and/or administrative costs which are included in the amount of the debt to be canceled; and 5) general information concerning IRS Form 1099-C.

Refer to [TOM 335.25](#), Examiner Instructions on How to Complete the Accompanying Explanation Letter.

In addition, PAS tax analysts release duplicates of Copy B of IRS Form 1099-C and copies of the explanation letters only upon beneficiary request. See [TOM 335.20](#). Since 1994, we have not had any requests for duplicate or corrected IRS Form 1099-C tax statements.

PAS tax analysts are responsible for releasing a completed IRS Form 1099-C to the beneficiary by January 31 each year per IRS regulations. PAS tax analysts will release all IRS Forms 1099-C for the tax year on a scheduled mass mailing date sometime in January each year. Field offices will be given advance notice of the mass mailing date by PAS. In addition, PAS tax analysts also release an explanation letter to the beneficiary along with the IRS Form 1099-C. The PAS tax analysts may also include a copy of the waiver confirmation letter as additional documentation. PAS tax analysts must also report all Form 1099-C

information to the IRS by filing Form 1096, Annual Summary and Transmittal of U.S. Information Returns, tax return by the due date of February 28 each year per IRS regulations. If no IRS Forms 1099-C is issued for a tax year, then there is no need to file Form 1096, Annual Summary and Transmittal of U.S. Information Returns, tax return for that tax year.

For any due date established by IRS, the "file" or "furnish" requirement is met if the form (i.e., tax statement or tax return) is properly addressed and mailed First Class, or sent by an IRS designated delivery service on or before the due date. If the date falls on Saturday, Sunday, or a legal holiday, then the due date is the next business day.

### **335.10 Copy A, Copy B And Copy C OF IRS Form 1099-C**

There are three copies to an IRS Form 1099-C. However, the beneficiary and field office personnel will only see Copy B of the IRS Form 1099-C:

Copy A:

This original pink and white colored copy is sent to the IRS by PAS. This is not a carbon copy.

Copy B:

This is a carbon copy which is sent to the beneficiary (debtor) and informs the beneficiary to retain this copy for his/her tax records.

Copy C:

This copy is sent to Imaging.

### **335.15 Explanation Of Items And Examiner Entries Made On IRS**

FORM 1099-C

The following are the explanations for the box items on IRS Form 1099-C.

VOID box:

This box is located at the top of Copy A and Copy C of IRS Form 1099-C. A check in this box indicates that the IRS Form 1099-C contains an error and is invalid. Therefore, IRS will ignore this IRS Form 1099-C. White-out cannot be used to correct an error. An original IRS Form 1099-C will not have this box checked.

CORRECTED box:

This box is located at the top of all three copies of IRS Form 1099-C. This box will be checked only if this is a corrected IRS Form 1099-C. An original IRS Form 1099-C will not have this box checked.

#### Box 1 Date Canceled

Date the RRB canceled (waived) the debt. PAS tax analyst(s) will enter the date the debt was waived.

#### Box 2 Amount of Debt Canceled

Debt amount that the RRB canceled (waived). PAS tax analyst(s) will enter the amount of debt canceled (waived). This debt amount includes any interest, penalties and/or administrative costs.

#### Box 3 Interest Included in Box 2

This is the amount of interest which is already included in the amount of debt reported in Box 2, Amount of Debt Canceled. Leave this item blank.

#### Box 4 BLANK

Prior to tax year 1998 IRS Forms 1099-C, this box item was entitled, Penalties, Fines, Administrative Costs Included in Box 2. An amount shown in this box was the amount of penalties, fines or administrative costs which is already included in the amount of debt reported in Box 2, Amount of Debt Canceled.

Effective with tax year 1998 and later IRS Forms 1099-C, this box item is now blank.

#### Box 5 Debt description

PAS tax analyst(s) will enter the following sentence in this box: "U.S. Railroad Retirement Board (RRB) benefit overpayment." In addition, the PAS tax analyst(s) may also include the type of overpayment waived (for example, "RRB benefit overpayment - Lump Sum Death Payment").

#### Box 6 Check for Bankruptcy

This box item is always blank. However, if the box is marked, the creditor (RRB) has indicated the debt was canceled in a bankruptcy proceeding.

#### Box 7 Fair Market Value of Property

This box item is always blank.

CREDITOR'S name, street address, city, state and ZIP code

The RRB is the creditor. PAS tax analyst(s) will enter the following in this box:

"U. S. Railroad Retirement Board

844 N. Rush St.

Chicago, IL 60611-2092"

CREDITOR'S Federal identification number

PAS tax analyst(s) will enter the number for RRA benefit payments.

DEBTOR'S identification number

The beneficiary is the debtor. PAS tax analyst(s) will enter in this box the beneficiary's own United States taxpayer identifying number (TIN) from the waiver confirmation letter. You may have to check DATAQ, tax screens or claim folder for the TIN. Generally, a TIN is a social security number for U.S. citizens, individual taxpayer identification number (ITIN) for nonresident aliens, and employer identification number (EIN) for estates or trusts.

DEBTOR'S name and address

PAS tax analyst(s) will enter in this box the beneficiary's name and address from the waiver confirmation letter. In some situations, the debtor's address may not be known or may be invalid. You may have to request a SSA MBR using the debtor's TIN (social security number) to obtain the latest known address shown for the debtor at the SSA.

Account number

PAS tax analyst(s) will enter in this box the beneficiary's RRB claim number from the waiver confirmation letter.

Refer to [TOM 335.25](#), for Examiner Instructions on How to Complete IRS Form 1099-C and Accompanying Explanation Letter.

### **335.20 How to Handle Inquiries and Request Duplicates of IRS Form 1099-C**

Refer all beneficiary inquiries regarding the reason, amount or calculation of the overpayment amount to RBD or SBD.

NOTE: Due to the low volume of cases involving IRS Forms 1099-C tax statements, the Policy and Systems-Payment Analysis and Systems (P&S-PAS) tax analysts are currently handling all IRS Forms 1099-C tax statements and

explanation letters. As a result, most inquiries or requests for duplicate or corrected tax statements should be referred to P&S-PAS.

Refer all beneficiary inquiries concerning the accuracy of the waiver amount that is reported on the IRS Form 1099-C to BFO/DRD. If BFO/DRD does not have any information, then contact BHA.

Unlike our other tax statement forms (Form RRB-1099, Form RRB-1042S and Form RRB-1099R), IRS Form 1099-C is not shown on the Statement (STMT) general tax screens (PF 15) due to the low volume of this tax statement form. Field office personnel will not be able to view and/or request IRS Form 1099-C on-line.

Therefore, send all beneficiary requests for a duplicate Copy B of IRS Form 1099-C or a duplicate of the explanation letter to the PAS manager via the P&S Inquiry Mailbox.

If beneficiaries have questions concerning the taxability of their canceled debt and/or how they should file IRS Form 1099-C with their income tax return, refer them to their local IRS office, own tax preparer and/or IRS booklet, Instructions for Form 1040 and/or Form 1040A. In addition, IRS has a number of publications that are available and may be of assistance to our beneficiaries concerning this topic (IRS Publications 225, 334, 525, 544, 908 and IRS Form 982).