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December 3, 2009

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*General Chairmen  
December 3, 2009  
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Gentlemen:

In order to fully comply with current IRS regulations, as part of our realignment of expense wage codes that are entered into the payroll system on a weekly basis, Amtrak will treat as taxable certain payments that employees receive as required by law. Over the next few weeks, there will be a transition to the new coding system in order to implement these changes for the first paycheck in calendar year 2010. While many of the changes are simply for accounting purposes, some of the new codes reflect the IRS requirement for taxable income as outlined below:

- The cost of meals provided to employees who are in travel status (away over night) will continue to be considered a non-taxable reimbursement. However, the value of meals provided to employees who are not in travel status, including meals provided to employees who work a specific number of hours of overtime as provided in certain labor agreements, must be considered taxable income;
- Weekly Travel Allowances paid to employees under certain agreements, must be considered taxable income;
- Per diem payments made to employees in variable headquarters Maintenance of Way gangs that are in company provided lodging will continue to be considered a non-taxable payment. However, per diem payments to employees in gangs that are not assigned to company provided lodging must be considered taxable income;
- Allowances for uniform maintenance will continue to be considered non-taxable, provided employees furnish certification that the allowance is actually used for maintenance of their uniforms. In the absence of certification that the entire allowance is utilized for uniform maintenance, the allowance will be considered taxable income.

Amtrak has begun the process of providing training and reference materials to employees who enter information for the payroll system and we will be providing information regarding these changes to all affected employees. An advance copy of the Employee Advisory in connection with this matter is attached for your reference. As information, IRS Publication 463 provides appropriate explanation of IRS requirements in connection with business expenses and their taxability as income.

*General Chairmen  
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Should you have any questions in connection with this matter, please feel free to contact me.

Very truly yours,

A handwritten signature in cursive script that reads "Joseph M. Bress".

Joseph M. Bress  
*Vice President-Labor Relations*

cc: D. J. Stadtler  
Pat Leininger  
Pam Ketchless  
C. E. Woodcock, III  
Labor Relations Directors

# special employee advisory

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## Wage Expense and Tax Changes Will Impact Payroll for Agreement Workers

Effective Jan. 1, Amtrak will be making changes to wage codes and begin withholding taxes from certain payments to employees in accordance with current IRS regulations.

The changes will impact how employees input wages and expenses into the payroll system. Tax withholdings required by the IRS will primarily affect some employees in the Engineering and Mechanical departments.

Per diem allowances for meals for employees in travel status (away over night) will continue to be considered a non-taxable reimbursement. However, payment of per diems and meals for employees who are not in travel status (not in lodging), including meals provided to employees in connection with working overtime must be considered taxable income according to IRS regulations. Additionally, weekly travel allowances must also be considered taxable income.

Uniform allowances will remain non-taxable as long as the employee certifies uniform maintenance expenses quarterly.

It is important to note that there are no changes to any labor contracts.

Over the coming weeks, Finance will transition to the new wage code system and provide training for timekeepers in order to implement this change for the first payroll of 2010.

Attached to this advisory is an information sheet detailing the new wage code system and the associated tax implications. Employees may want to consult with a tax advisor for assistance on ways they may be able to deduct these payments on their personal tax filings.

For questions and concerns, contact Amtrak Payroll at 877-268-7251.

**Please post on bulletin boards and distribute at safety briefings.**



Produced by  
Employee Communications

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## Information for Agreement-Covered Employees Regarding New Wage Expense and Tax Changes

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### OVERVIEW

In order to fully comply with current IRS regulations (IRS Treas. Reg. sections 1.32-6 and 1.62-2 and IRS Publications 463 and 1542), Amtrak has realigned the expense wage type codes that are entered into Payroll on a weekly basis. The go-live date for utilization of these new wage types depends upon the payroll area, but must be implemented in time for the first payroll of 2010.

A majority of the accounting and timekeeping changes involve breaking the previous 1241 code into a series of more precise codes, but also involve other wage type codes. While many changes are simply an accounting change, some of the new codes change Amtrak's historical tax treatment of some routine payments. To comply with IRS regulations, Amtrak must begin withholding taxes from certain payments to employees that were not formerly treated as taxable income. If Amtrak does not properly tax these payments, the company and its employees will be exposed to additional tax liabilities by the IRS.

### UNCHANGED WAGE CODES

There are three wage type codes that will remain unchanged and will continue to be used according to current policy:

- 12MI for mileage
- 1248 for differentials
- 1245 for uniform allowances

However, for the uniform allowances, there will now be an additional certification requirement. Employees receiving the uniform allowance must certify that the funds are being used for the maintenance of the uniform. More information on this certification will be forthcoming over the next few weeks. Also, 1248 will be used only for differentials; other taxable payments should not be entered using this code.

### ELIMINATED WAGE CODE

Wage type code 1243 will no longer be used. It is being replaced by 124X (see below for details).

## **NONTAXABLE CHANGES**

The following wage type codes are being introduced for accounting purposes only. The previous wage type 1241 has been broken into numerous wage types in order to better categorize the different types of expenses that are being incurred by employees:

- 124A – Tools/parts/keys
- 124B – Work boots
- 124C – Company meetings
- 124E – Education/training
- 124F – Office supplies
- 124G – Travel: gas/rental car/airfare/hotel
- 124K – K9 Fees (police only)
- 124L – Licenses/certifications
- 124M – Non gang meals
- 124P – Meal per diem (MW gangs in lodging)
- 124Q – Meals provided by Amtrak
- 1241 – Side miles (LMS only)

Wage types 1240 and 124H will continue to be used for nontaxable meals in LMS; however, there will be new taxable codes discussed below.

## **TAXABLE CHANGES**

In addition to accounting changes, some wage types will now be subject to income taxes to become compliant with IRS regulations:

- 124T – Taxable meals (under 10 hours per day) – paired with 1240 (LMS only)
- 124V – Taxable meals (On Board employees) paired with 124H (LMS only)
- 124Z – Taxable meals per diem (MW Gangs not in lodging) – paired with 124P
- 124W – Weekend travel allowance
- 124X – Overtime meals
- 124U – Taxable uniform allowance (if 100% of allowance is not used to maintain the employee's uniform)

Amtrak Payroll will be providing more detailed information and reference materials in December 2009 during both onsite and WebX training.

## **CONTACT INFORMATION**

For questions about the new system, please contact Amtrak Payroll at 877-268-7251.