

CALCULATING TAXABLE AMOUNT OF YOUR RAILROAD RETIREMENT

- 1. AFTER AGE 62, YOUR TIER 1 IS TREATED AS SOCIAL SECURITY. LOOKING AT YOUR RRB 1099, YOU ADD YOUR AND YOUR SPOUSES BLUE BLOCK(S) #3. THAT SUM IS YOUR TOTAL TIER 1 WHICH IS TO BE "TREATED AS SOCIAL SECURITY" FOR TAX PURPOSES AND THE TAXABLE AMOUNT IS 85% OF THAT TOTAL GIVING YOU A 15% TAX BREAK. PUT THE TOTAL AMOUNT ON FORM 1040, LINE 20a THEN THE TAXABLE AMOUNT (85%) ON LINE 20b.**
- 2. NOW FOR TIER 2. ADD THE AMOUNTS OF YOUR AND YOUR SPOUSES GREEN BLOCKS #7. THIS IS THE TOTAL OF TIER 2 YOU RECEIVED. PUT THAT TOTAL ON FORM 1040, LINE 16a. THEN LOOK AT YOUR GREEN BLOCK #3, THIS IS THE TOTAL TIER #2 CONTRIBUTION YOU PAID INTO TIER 2 DURING YOUR WORKING YEARS. THAT AMOUNT CAN BE PRORATED OVER A 25 YEAR (LIFE EXPECTANCY) PERIOD AND DEDUCTED EACH YEAR. THE BEST WAY TO GET YOUR CORRECT (TAXABLE) AMOUNT OF TIER 2 IS TO USE THE WORKSHEET IN IRS PUBLICATION 935 BUT A QUICK EXAMPLE IS TO DIVIDE 25 INTO YOUR CONTRIBUTION AMOUNT SHOWN ON GREEN BLOCK #3 AND THEN PUT THAT AMOUNT ON FORM 1040, LINE #20b. THIS IS YOUR TXABLE AMOUNT.**
- 3. YOU HAVE NOW REDUCED YOUR RRB PENSION TAXABLE AMOUNT PROBABLY BY ABOUT \$5000.00.**
- 4. IF BY CHANCE, YOU HAVE BEEN PAYING ON THE WHOLE AMOUNT OF TIER 1 AND TIER 2, YOU CAN GO BACK AND RECOVER 3 YEARS BY USING IRS FORM 1040-X. YOU CAN CORRECT 2009, 2010 AND 2011 IF YOU DO SO BY APRIL 15, 2013, AFTER THAT DATE YOU LOSE THE RIGHT TO RECOVER 2009.**