

RAB-88-18

Individual Income Tax

Individual Income Tax Railroad Employee

Benefits (Replaced by RAB 89-57 &

RAB RAB 91-13)



JAMES J. BLANCHARD, Governor
ROBERT A. BOWMAN, State Treasurer

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
TREASURY BUILDING
LANSING, MICHIGAN 48922

REVENUE ADMINISTRATIVE BULLETIN 1988-18

Approved: May 27, 1988

INDIVIDUAL INCOME TAX -
RAILROAD EMPLOYEE BENEFITS

RAB-88-18. This Bulletin describes the Michigan Income Tax treatment of railroad employee benefits received by a resident taxpayer.

Tier 1 Railroad Retirement Benefit, Railroad Retirement Act (RRA) of 1974, 45 USC 352

Federal Treatment

Beginning in tax year 1984, a portion of a taxpayer's "Tier 1 railroad retirement benefits" may be taxable and may be included in federal adjusted gross income under the Internal Revenue Code of 1986, Section 86.

Michigan Treatment

To the extent that a taxpayer includes Tier 1 railroad retirement benefits in his or her federal adjusted gross income, he or she may deduct the same amount in determining Michigan taxable income under the Michigan Income Tax Act, MCL 206.30(1)(f)(iii).

Other Railroad Retirement Act Benefits, Tier 2, Railroad Retirement Act of 1974, 45 USC 352

Federal Treatment

Benefits provided under the Railroad Retirement Act (RRA) of 1974 (other than a Tier 1 railroad benefit) shall be treated as a benefit under an employer plan which meets the requirements of the Internal Revenue Code of 1986, Sections 72(r) and 401(a).

Michigan Treatment

To the extent the taxpayer-retiree under the RRA has included RRA retirement benefits which are other than Tier 1 benefits (i.e., Tier 2 benefits) in his or her adjusted gross income, the taxpayer may claim a deduction of not more than \$7,500 (if filing a single return) or a deduction of not more than \$10,000 (if filing a joint return) when determining taxable income under Michigan's Income Tax Act, MCL 206.30(1)(f)(iv).

Unemployment and Sickness Benefits, Railroad
Unemployment Insurance Act, 45 USC 352

Federal Treatment

For tax years ending before January 1, 1987, unemployment compensation benefits may be included in a taxpayer's gross income under the Internal Revenue Code of 1986 (IRC), Section 85(a).

For tax years ending before January 1, 1987, unemployment compensation benefits received under the Railroad-Unemployment Insurance Act (RUIA) or any other unemployment compensation law must be included in gross income either in whole or part according to a formula contained in IRC Section 85.

For tax years ending after December 31, 1986, IRC Section 85 has been amended, omitting the formula, to provide that gross income includes unemployment compensation. Accordingly, unemployment benefits received under RUIA will be reflected in adjusted gross income reported to the Internal Revenue Service.

Sick pay is included in a taxpayer's gross income, except to the extent such sickness is the result of on the job injury as defined under the IRC 105(a) and (c).

Michigan Treatment

There is no provision in State law allowing a Michigan taxpayer to deduct from his or her Michigan taxable income any amount of unemployment compensation included in federal gross income for 1981 or any subsequent tax year.

Sick pay is taxable to Michigan to the extent such income has been included in arriving at federal adjusted gross income. There is no provision to allow for its subtraction on the Michigan return.

Title VII Benefits, Railroad Reorganization Act, 45 USC 797

Federal Treatment

Benefits provided under Title VII are in the nature of unemployment compensation. They are paid to any employee considered deprived of employment if unable to obtain a position with an acquiring railroad or the corporation, the National Railroad Passenger Corporation, or a commuter authority through the normal exercise of seniority or, in the case of a non-agreement employee, by written application. (See prior discussion concerning treatment of unemployment compensation.)

Michigan Treatment

These benefits are taxable in the same manner as unemployment compensation benefits described in "Unemployment and Sickness Benefits" above.

Under Michigan's Income Tax Act, MCL 206.30(2)(d), a taxpayer whose taxable income includes unemployment compensation that amounts to 50% or more than adjusted gross income may claim a single additional personal exemption allowance for tax years beginning after December 31, 1986.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
TREASURY BUILDING
LANSING, MICHIGAN 48922

JAMES J. BLANCHARD, Governor
ROBERT A. BOWMAN, State Treasurer

REVENUE ADMINISTRATIVE BULLETIN 1988-18

Approved: May 27, 1988

INDIVIDUAL INCOME TAX -
RAILROAD EMPLOYEE BENEFITS

RAB-88-18. This Bulletin describes the Michigan Income Tax treatment of railroad employee benefits received by a resident taxpayer.

Tier 1 Railroad Retirement Benefit, Railroad Retirement Act (RRA) of 1974, 45 USC 352

Federal Treatment

Beginning in tax year 1984, a portion of a taxpayer's "Tier 1 railroad retirement benefits" may be taxable and may be included in federal adjusted gross income under the Internal Revenue Code of 1986, Section 86.

Michigan Treatment

To the extent that a taxpayer includes Tier 1 railroad retirement benefits in his or her federal adjusted gross income, he or she may deduct the same amount in determining Michigan taxable income under the Michigan Income Tax Act, MCL 206.30(1)(f)(iii).

Other Railroad Retirement Act Benefits, Tier 2, Railroad Retirement Act of 1974, 45 USC 352

Federal Treatment

Benefits provided under the Railroad Retirement Act (RRA) of 1974 (other than a Tier 1 railroad benefit) shall be treated as a benefit under an employer plan which meets the requirements of the Internal Revenue Code of 1986, Sections 72(r) and 401(a).

Michigan Treatment

To the extent the taxpayer-retiree under the RRA has included RRA retirement benefits which are other than Tier 1 benefits (i.e., Tier 2 benefits) in his or her adjusted gross income, the taxpayer may claim a deduction of not more than \$7,500 (if filing a single return) or a deduction of not more than \$10,000 (if filing a joint return) when determining taxable income under Michigan's Income Tax Act, MCL 206.30(1)(f)(iv).

Unemployment and Sickness Benefits, Railroad
Unemployment Insurance Act, 45 USC 352

Federal Treatment

For tax years ending before January 1, 1987, unemployment compensation benefits may be included in a taxpayer's gross income under the Internal Revenue Code of 1986 (IRC), Section 85(a).

For tax years ending before January 1, 1987, unemployment compensation benefits received under the Railroad-Unemployment Insurance Act (RUIA) or any other unemployment compensation law must be included in gross income either in whole or part according to a formula contained in IRC Section 85.

For tax years ending after December 31, 1986, IRC Section 85 has been amended, omitting the formula, to provide that gross income includes unemployment compensation. Accordingly, unemployment benefits received under RUIA will be reflected in adjusted gross income reported to the Internal Revenue Service.

Sick pay is included in a taxpayer's gross income, except to the extent such sickness is the result of on the job injury as defined under the IRC 105(a) and (c).

Michigan Treatment

There is no provision in State law allowing a Michigan taxpayer to deduct from his or her Michigan taxable income any amount of unemployment compensation included in federal gross income for 1981 or any subsequent tax year.

Sick pay is taxable to Michigan to the extent such income has been included in arriving at federal adjusted gross income. There is no provision to allow for its subtraction on the Michigan return.

Title VII Benefits, Railroad Reorganization Act, 45 USC 797

Federal Treatment

Benefits provided under Title VII are in the nature of unemployment compensation. They are paid to any employee considered deprived of employment if unable to obtain a position with an acquiring railroad or the corporation, the National Railroad Passenger Corporation, or a commuter authority through the normal exercise of seniority or, in the case of a non-agreement employee, by written application. (See prior discussion concerning treatment of unemployment compensation.)

Michigan Treatment

These benefits are taxable in the same manner as unemployment compensation benefits described in "Unemployment and Sickness Benefits" above.

Under Michigan's Income Tax Act, MCL 206.30(2)(d), a taxpayer whose taxable income includes unemployment compensation that amounts to 50% or more than adjusted gross income may claim a single additional personal exemption allowance for tax years beginning after December 31, 1986.