

Qualifying Itemized Deductions for Transportation Workers (Railroad Engineers, Conductors, Brakeman)

Railroad Workers (Engineers, Conductors, Brakeman) are qualified "Transportation Workers" as defined in IRS Publication #17. You may obtain a free copy of Publication #17 by either going to IRS.com and ordering it by mail, or going to an IRS office and asking for a copy. It is very easy to interrupt. All railroaders should have a copy. This can help make up for pay raises you have not gotten over the years from the railroad. Instead Uncle Sam is going to help you get some back. How about that. You are entitled to it, for sure. Use it before you lose it. A lot of accountants are not familiar with this knowledge because railroaders are different from most workers when it comes to tax applications.

Transportation workers (Railroaders) are qualified to choose one of two ways to deduct their away from home expenses when they file their taxes and itemize deductions. One way is to keep track of all your meals and lodging by keeping receipts and report them at the end of the year. The second method and by far the best one is to take a standard deduction for each one of your trips (Eugene to Klamath Falls and return as an example. You must have 8 hours off at away from home terminal to qualify). You do not need to save receipts for the second method. It is just a straight deduction. It saves you a lot of time. You could just keep track in your time book the number of quarters, to be explained next.

In order to figure out how much you can deduct for each trip, the IRS divides the 24 hour day into 4 quarters of 6 hours each equaling 24 hours. (That breaks down into the following: 1st quarter is 0000 hrs to 0559 hrs, 2nd quarter is 0600 hrs to 1159 hrs, 3rd quarter is 1200 hrs to 1759 hrs, 4th quarter is 1800 hrs to 2359 hrs.) So you are entitled to 4 quarters total per day.

You get credit for the quarter that you go to work in extending to the quarter you tie up in after arriving back at your home terminal. It makes no difference what time you are on duty or tie up, only that you do it in a certain quarter and you will receive credit for that quarter. The total amount for a 24 hour period for 2004 was \$41.00. That means each quarter was worth \$10.25. Generally you will get more than 4 quarters each trip you make because you normally are gone more than 24 hours. 2005 rate for each 24 hour period is not available until the Publication #17 comes out in Jan. or Feb. 06. The rate differs across the country account certain areas such as Los Angeles are higher expense areas. Publication #17 or its' pamphlet will tell you what the amount for your area will be allowed.

Example: If you were on duty at 0710 hrs Dec. 20, 2005 and go to K Falls tie up, get your rest, etc., go on duty at K Falls and don't get back to Eugene until Dec. 22, 2005 and tie up at 0310 hrs. You are entitled to 4 quarters plus 4 quarters equaling 8 quarters total, or using 2004 rate a total of $8 \times \$10.25 = \82.00 deduction for the trip. Note: It does not make any difference whether you spent that much or not. That is why it is better for you to use the second method, right? A regular Conductor or Engineer on the Eugene to Klamath Falls pool could easily do \$4000 to \$6000 a year in away from home tax deductions for just meals and lodging.

Example #2: You are on duty at 1400 hrs Dec. 20, 2005 and go to K falls tie up, get your rest, etc., go on duty at K falls and don't get back to Eugene until Dec. 21, 2005 and tie up at 0310 hrs. Your total quarters would be 4, or equal to $4 \times \$10.25 = \41.00 . Use your fingers if you have to. I used to keep track of the total quarters for each trip in my time book on my computer and at the end of the year multiplied whatever the IRS allowed times the number of quarters to get a total.

Tax Form 2106 and why it is important for Railroaders

When railroad employees file their income tax each year normally they will do a form 1040 or 1040A, Schedule A & B, and usually a Form 2106 (Employee Business Expense Form). The form 2106 is the form you use to record expenses you are entitled to take as deductions. The following is a line by line analysis of what expenses are recorded and which line to put them on. You can get a form 2106 by going on line to IRS.com or at your nearest IRS office.

Line 5B is the line you put your total amount of quarters being claimed in dollars.

Line 7B is the line you put the total amount the company reimbursed you for meals away from home.

Line 9 gives you as a railroader another break. You basically get to deduct more as a Department of Transportation employee (yes, you certainly are one) than if you were not.

Line 10 after totaling all your business deductions on this line you will then enter the total on your Schedule A Form 1040, line 20.

Note: If you have a home computer that you use mainly for keeping track of your job and its' status (how many times out), you are allowed to deduct it in most cases. The railroad has required you to have it so you can recertify for your job classification, communicate with timekeeping, administrative, rules, etc.. If you have cable, satellite, DSL, etc., you may also deduct that cost if your primary use is for work. If you have 2 computers, one could probably be considered for work only. Those are only suggestions as you would have to determine your usage. The cost of the computer, cable, DSL, etc., could go on line 4A. Remember union dues go on Schedule A, line 20 (2004).

Hope this helps you get a little back in these times of inflation and pay not keeping up.

If you have an accountant who is not familiar with the classification of railroad Employee being defined as a "Transportation Employee" refer him or her to Publication #17. BEST ADVICE: If that doesn't work "fire him or her" and get an accountant who knows what he is doing. Many accountants do not know what your entitlements are. Ask them if they are familiar with the entitlements of Transportation employees.

One More Thought For You.

If you have a deductible IRA and the IRS says you can not have one you need to contact UP pay department and have them transfer you to the department that issues the W-2s at the end of the year. You need to explain and ask for a corrected W-2 that does not have the Box 13, retirement box checked. You are not under a company retirement plan. Not one of those three boxes should be checked you are under the "Railroad Retirement" plan. This is one of the many things the UP has not corrected because it is in their favor not to correct it. If you phone them they will correct it for you as an individual so you may get your deduction as you are certainly otherwise entitled to it. It could save you paying income tax on whatever you contribute to your deductible IRA. I believe that it could save you about \$800 dollars in federal taxes if you contribute to a fully deductible IRA for you and your spouse (If she qualifies. The Pub. #17 will tell you.) for the year 2004. I don't have 2005 figures handy. It probably would be more....

I would ask you Boomer to steer any questions generated from this information to yourself, making a list, and then emailing it to me so that I don't get too many emails flooding my mailbox, OK? Very Important since I am old retired fart now. Remember I am not an accountant. I just enjoy saving a buck that was mine to begin with. Confirmation of everything I have shared with you is in the Publication #17 and pamphlets.

In the mean time, hope I have helped you and the guys. I wish all a great holiday season. Hope your all home.....RS