

This **original tax statement** is issued by the U.S. Railroad Retirement Board (RRB) and contains information you will need to determine if any of the railroad retirement payments made to you in 2007 are taxable. You must use the amounts from both tax statements to determine your total taxable income. Payments and repayments resulting from railroad retirement annuity adjustments are shown on your tax statements and may be fully or partially subject to taxation. This is true whether adjustments result in net amounts due or net overpayments which you are asked to repay, and whether any overpayments are recovered or waived. **You should photocopy both sides of this tax statement for income verification and record keeping purposes.** You may receive more than one tax statement for 2007. When only one type of tax statement pertains to you, the other tax statement type is void (blank) and contains the caption "**THIS FORM IS NOT REQUIRED FOR YOUR 2007 TAXES.**" Do **not** attach any copy of the blank tax statement type to your U.S. Federal income tax return. Information shown on the tax statements is sent to the United States Internal Revenue Service (IRS).

Two types of tax statements are provided on the reverse side: Form RRB-1042S and Form RRB-1099-R.

FORM RRB-1042S: The **black and white Form RRB-1042S** shows the Social Security Equivalent Benefit (SSEB) portion of tier 1 or special guaranty benefits paid, repaid, and the related U.S. Federal income tax withheld. Explanations for each box item on Form RRB-1042S are shown below. For information about SSEB and social security payments and taxability, and Forms RRB-1042S and SSA-1042S, refer to **IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits**. SSEB payments shown on Form RRB-1042S are treated in the same manner as social security benefits for U.S. Federal income tax purposes.

FORM RRB-1099-R: The **green and white Form RRB-1099-R** shows the Non Social Security Equivalent Benefit (NSSEB) portion of tier 1, tier 2, Vested Dual Benefit (VDB), and supplemental annuity benefits paid, repaid, and the related U.S. Federal income tax withheld. The amounts shown on Form RRB-1099-R are the pension annuity components. **The NSSEB and tier 2 are shown as a single combined amount in Box 4, Contributory Amount Paid.** Explanations for each box item on Form RRB-1099-R are shown below. For more information about NSSEB, tier 2, VDB, and supplemental annuity benefits, pension taxability, and Form RRB-1099-R, refer to **IRS Publication 575, Pension and Annuity Income**. **Any amounts shown on your Form RRB-1099-R are considered a "normal distribution". Use distribution code "7" if you are asked for a distribution code for those amounts.** Railroad retirement payments shown on Form RRB-1099-R are treated as private pensions for U.S. Federal income tax purposes.

NOTE: Railroad retirement payments are not taxable for U.S. State income tax purposes. Certain payments and repayments are **not** taxable and therefore are **not** shown on your tax statements. These certain 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; residual lump sum amounts; lump sum death payments; over-reimbursements; and Railroad Retirement Act (RRA) tax refund payments.

CORRECTED OR DUPLICATE TAX STATEMENTS: Each original tax statement is valid unless it has been corrected. The RRB may issue a corrected tax statement if there is an error on the original tax statement. **Corrected tax statements replace their corresponding original tax statements.** You must use the latest corrected tax statement you receive and any original tax statement that we have not corrected when you file and/or amend your income tax return(s) for 2007. Contact a RRB field office, U.S. Consulate/Embassy, or visit the RRB website to request **duplicate** tax statements for any tax year.

NONRESIDENT ALIEN OF THE UNITED STATES: Our records indicate that you are either a known or assumed nonresident alien of the United States. Therefore, you are being taxed as a nonresident alien of the United States. A nonresident alien is an individual who is neither a citizen nor resident of the United States. A known nonresident alien has established citizenship and residence information on our records. An assumed nonresident alien has not provided citizenship and residence information and has a mailing address outside of the United States. Taxes should have been withheld from railroad retirement benefit payments made in 2007 unless you are exempt under a tax treaty between the United States and your country of legal residence. You are not required to file a U.S. Federal income tax return if: **1)** your entire tax liability was fulfilled by withholding of tax from your benefits; **2)** your only income from sources within the United States was not connected to a trade or business; and **3)** the correct amount of tax for the correct period was withheld from your annuity payments. However, you may wish to file a tax return if too much tax or too little tax was withheld from these payments. **If your country of legal residence changed and/or your tax withholding rate changed during 2007, you may receive more than one set of tax statements for 2007.** If you were also a resident of the United States during 2007, you may be required to file a **Form 1040, U.S. Individual Income Tax Return**. If you are required to file an income tax return, a negligence penalty or other sanction may be imposed on you if the income is taxable and the United States Internal Revenue Service (IRS) determines that it has not been reported. For additional information on filing requirements for aliens, refer to **IRS Publication 519, U.S. Tax Guide for Aliens**.

CONTRIBUTORY AMOUNT PAID AND EMPLOYEE CONTRIBUTIONS: The contributory amount paid (NSSEB and/or tier 2 payments) may be partially taxable or fully taxable depending on the presence and use of the employee contribution amount. **There is a tax savings advantage in using (recovering) employee contributions (Box 3 of Form RRB-1099-R) since it affects the taxability of the contributory amount paid (Box 4 of Form RRB-1099-R), which in turn, reduces the amount of taxable pension income (Box 7 of Form RRB-1099-R) to be reported on your U.S. Federal income tax return for the tax year.** If an employee contribution amount is shown in Box 3 and you are covered by General Rule provisions, you may be able to compute taxable and nontaxable portions of the contributory amount paid using the employee contribution amount. Therefore, your contributory amount paid and total gross paid amount (Boxes 4 and 7) may be partially taxable. Only employee and survivor annuitants have an employee contribution amount shown on their Form RRB-1099-R. If you are a survivor annuitant (widow(er)) who was paid spouse benefits for part of 2007, use only the annuity payments you received as a widow(er) to compute the nontaxable amount of your contributory amount paid using the employee contribution amount. **The RRB does not calculate the taxable and nontaxable amounts of the contributory amount paid OR the portion of the employee contribution still available for your use or to be shared. It is up to you to determine those amounts. You should contact the IRS or your tax preparer for assistance.** If no employee contribution amount is shown in Box 3 or you are a spouse annuitant or your railroad retirement annuity beginning date is before July 2, 1986, you **cannot** use or share any employee contribution amount (Box 3). Therefore, your contributory amount paid and total gross paid amount (Boxes 4 and 7) are fully taxable. **If you are a railroad employee who retired on disability, the contributory amount paid and total gross paid amount (Boxes 4 and 7) are fully taxable until you reach minimum retirement age.** Minimum retirement age is generally the age at which individuals can retire based on age and service (for example, age 60 with 30 or more years of railroad service or age 62 with less than 30 years of railroad service). Once a disabled employee reaches minimum retirement age, he or she may be able to use the employee contributions amount (Box 3) to compute a nontaxable portion of the contributory amount paid (Box 4). For more information on the tax treatment of the contributory amount paid, how to use the employee contribution amount, expected return, and how to use the IRS actuarial tables, you should refer to **IRS Publication 575, Pension and Annuity Income, and IRS Publication 939, General Rule for Pensions and Annuities**. If you are using the Simplified General Rule, refer to the Simplified Method Worksheet in the **2007 Instructions for Form 1040 and/or Form 1040A booklet(s)**. If you are not using the Simplified General Rule, refer to **IRS Publication 939, General Rule for Pensions and Annuities**, to determine your taxable amount.

TAX WITHHOLDING: If U.S. Federal income taxes were withheld from your railroad payments and not refunded to you, those taxes and the applicable nonresident alien tax withholding rate of 15% or 30% are shown on your tax statements. A rate of 30% indicates full tax withholding. If you currently reside outside of the United States and have not furnished the RRB with your citizenship and permanent residence information, contact the RRB to obtain and file **Form RRB-1001, Nonresident Questionnaire**. Form RRB-1001 may also be used to claim reduced U.S. Federal income tax withholding (0% or 15%) under any tax treaty in effect between the United States and your country of permanent residence. For information on tax treaties between the United States and other countries that may reduce or eliminate U.S. tax on your benefits, refer to **IRS Publication 901, U.S. Tax Treaties**.

MEDICARE: The total payments reported on Form RRB-1042S and Form RRB-1099-R tax statements may **not** equal the total amount of railroad retirement annuity payments you actually received in 2007. For beneficiaries receiving Medicare, the difference may be the total amount of Medicare premiums deducted from your annuity payments in 2007. **Payment amounts shown on the tax statements are before any deductions for Medicare. The basic monthly Part B Medicare premium for 2007 is \$93.50 (\$1,122.00 annual total), however your premium amount may be different.** The RRB shows the total Part B Medicare premiums that were deducted from railroad retirement annuity payments on Form RRB-1042S or Form RRB-1099-R. **The RRB does not show the Medicare premiums deducted from social security benefits on Forms RRB-1042S or RRB-1099-R. In addition, Medicare premium refunds are not included in your Medicare premium total. The Medicare premium total shown is not reported to the IRS.**

SOCIAL SECURITY BENEFITS AND FORM SSA-1042S: If you received social security benefits in 2007 that were paid by the RRB, you will receive a Form SSA-1042S and Notice 703 from the United States Social Security Administration (SSA). If you do not receive the SSA forms, contact your nearest SSA office, U.S. Consulate/Embassy, or call the SSA at 1-800-772-1213. You may visit the SSA on the Internet at <http://www.ssa.gov>.

CONTACT THE RRB: When contacting the RRB about a tax statement, always give the RRB claim number and payee code shown in Box 1. The recipient's identification number in Box 2 of the tax statements is either the United States social security number, individual taxpayer identification number (ITIN), or employer identification number (EIN) for the person or Estate listed as the recipient. Call your nearest RRB field office, U.S. Consulate/Embassy, or visit the RRB website if you have questions about your tax statements or if you need to request duplicate tax statements for any tax year. To obtain the address and phone number of your nearest RRB field office, call the RRB at 1-800-808-0772 and select option "5". You may also visit the RRB to obtain free RRB forms and publications on the Internet at <http://www.rrb.gov>.

CONTACT THE IRS: If you have any questions about how to figure your taxable payments, what amounts to show on your income tax returns, or how to amend income tax returns, contact your own tax preparer, U.S. Consulate/Embassy, or the IRS. They may charge a fee for their services. If you need additional time to file your U.S. Federal income tax return, you may request an extension from the IRS by filing **Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return**. To request free IRS forms and publications, call the IRS at 1-800-TAX-FORM (1-800-829-3676) or visit the IRS website. You may call the IRS for answers to your tax questions at 1-800-829-1040 (if within the United States) or 1-215-516-2000 (if outside of the United States). You may visit the IRS on the Internet at <http://www.irs.gov>.

MAILING ADDRESS: Your name and mailing address appears on each tax statement for mailing purposes, even if the tax statement is void. The address shown is the address we have on our records at the time the tax statements are issued. Please review the address shown on the tax statements. If the address shown is incorrect or incomplete, please provide the RRB with your correct and current mailing address.

EXPLANATION OF ITEMS ON FORM RRB-1042S

Box 3 - Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2007 - This is the total amount of the SSEB portion of tier 1 benefits paid to you in 2007. It includes any SSEB benefits paid in 2007 that were for prior years.

Box 4 - Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2007 - This is the total amount of SSEB benefits you repaid to the RRB in 2007. It includes any SSEB benefits you repaid in 2007 that were for prior years. You may have repaid a SSEB benefit by returning a payment, by making a cash refund, or by having an amount withheld from your annuity for overpayment recovery purposes.

Box 5 - Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2007 - This total is the amount in Box 3 **minus** the amount in Box 4. A figure in parenthesis is a negative amount. A negative amount means you repaid the RRB more than you received or were credited with receiving in 2007. If you received more than one Form RRB-1042S or Form SSA-1042S for 2007, a negative figure in Box 5 of one form can be used to offset a positive figure in Box 5 of the other Forms RRB-1042S or SSA-1042S for 2007. To see if any part of the SSEB is taxable, refer to **IRS Publication 915, Social Security and Equivalent Railroad Retirement Benefits**.

Box 6 - Workers' Compensation Offset in 2007 - This figure is for informational purposes only. This is the amount of any workers' compensation deducted from your SSEB payments. This amount is included in the amount in Box 3.

Box 7 - Social Security Equivalent Benefit Portion of Tier 1 Paid for 2006 - This is the amount of SSEB that was due for 2006, but was paid in 2007. This amount is included in the amount shown in Box 3.

Box 8 - Social Security Equivalent Benefit Portion of Tier 1 Paid for 2005 - This is the amount of SSEB that was due for 2005, but was paid in 2007. This amount is included in the amount shown in Box 3.

Box 9 - Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 2005 - This total is the amount of SSEB that was due prior to 2005, but was paid in 2007. This amount is included in the amount shown in Box 3. Any tier 1 benefit paid for a period prior to 1986 is treated as SSEB.

Box 10 - Country - This item indicates the country of which you were a known or assumed bona fide resident for tax purposes for the payments shown on this Form RRB-1042S.

Box 11 - Rate of Tax - This is the rate (0%, 15% or 30%) at which U.S. Federal income tax was withheld from the SSEB payments shown on this Form RRB-1042S.

Box 12 - Federal Tax Withheld - This total is the amount of U.S. Federal income tax withheld from your SSEB payments while you were a known or assumed bona fide resident of the country shown in Box 10 in 2007. If no SSEB taxes are withheld, **-0-** will be shown in this box.

Box 13 - Medicare Premium Total - This is only for informational purposes and the RRB does not report this amount to the IRS. This is the total amount of Part B Medicare premiums deducted from your railroad retirement annuity payments shown on this Form RRB-1042S. Medicare premium refunds are not included in the Medicare total. The Medicare total is normally shown on Form RRB-1042S. However, if Form RRB-1042S is not required for your 2007 taxes, then this total will be shown on Form RRB-1099-R. **Medicare premiums deducted from your social security benefits, paid by a third party, paid through direct billing, or refunded to you will not be shown in this box.**

EXPLANATION OF ITEMS ON FORM RRB-1099-R

Box 3 - Employee Contributions - This is the amount of railroad retirement payroll taxes paid by the employee that **exceeds** the amount that would have been paid in social security payroll taxes if the employee's railroad service had been covered under the Social Security Act. The IRS refers to this amount as an employee's cost (investment in the contract). **It is not a payment or income that you received in 2007.** The amount shown is the **latest** amount reported which may have increased or decreased from a previous Form RRB-1099-R. A change in the employee contribution may affect the nontaxable portion of your contributory amount paid (NSSEB/tier 2 payments). You may need to recompute that nontaxable amount as explained in **IRS Publication 575, Pension and Annuity Income and/or IRS Publication 939, General Rule for Pensions and Annuities**. If the employee contribution amount reported on this Form RRB-1099-R is different from the employee contribution amount reported on a **previous** Form RRB-1099-R, you may need to file original or amended income tax return(s) using the employee contribution amount reported on this Form RRB-1099-R. The total contributions shown have **not** been reduced by any amounts that the RRB previously calculated as recovered. If you had a **previous** annuity entitlement that terminated and you are calculating a nontaxable pension amount under the General Rule for your **current** annuity entitlement, you should contact the RRB for confirmation of your correct employee contribution amount. If you are receiving an employee disability annuity, your contributory amount paid shown in Box 4 is fully taxable until you reach minimum retirement age. Once you reach minimum retirement age, you may be able to use the employee contribution amount to compute a nontaxable portion of your contributory amount paid. **If this box is blank, it means that your contributory amount paid and total gross paid are fully taxable.**

Box 4 - Contributory Amount Paid - An amount in this box is the gross amount of any NSSEB and tier 2 benefits paid in 2007, less any NSSEB and tier 2 repayments made in 2007 that are attributed to 2007. Any NSSEB and tier 2 repayments made in 2007 for an earlier year or for an unknown year are shown in Box 8. The contributory amount paid (NSSEB and/or tier 2 payments) may be partially taxable or fully taxable depending on the presence and use of the employee contribution amount. The amount in Box 4 is the total **contributory pension** paid for 2007 and can be used by some employees and survivors of deceased employees covered under the General Rule provisions to compute a nontaxable portion of NSSEB and tier 2 payments. See **IRS Publication 575, Pension and Annuity Income and/or IRS Publication 939, General Rule for Pensions and Annuities**, for additional information.

Box 5 - Vested Dual Benefit - This is the gross amount of VDB paid in 2007, less any VDB repayments made in 2007 that are attributed to 2007. This is a **noncontributory pension** amount and is **fully taxable** for U.S. Federal income tax purposes. VDB repayments made in 2007 for an earlier year or for an unknown year are shown in Box 8.

Box 6 - Supplemental Annuity - This is the gross amount of supplemental annuity paid in 2007, less any supplemental annuity repayments made in 2007 that are attributed to 2007. This is a **noncontributory pension** amount and is **fully taxable** for U.S. Federal income tax purposes. Supplemental annuity repayments made in 2007 for an earlier year or for an unknown year are shown in Box 8.

Box 7 - Total Gross Paid (Sum of Boxes 4, 5, and 6) - This figure is the sum of the amounts shown in Boxes 4, 5, and 6. **The amount represents the total pension paid in 2007.**

Box 8 - Repayments - This amount represents any NSSEB, tier 2, VDB and supplemental annuity repayments made to the RRB in 2007 for years before 2007 or for unknown years. **This amount has not been deducted from the paid amounts in Boxes 4, 5, or 6.** You may have repaid a benefit by returning a payment, by making a cash refund, or by having an amount withheld from your annuity for overpayment recovery purposes. Refer to **IRS Publication 575, Pension and Annuity Income**, for instructions on how to handle prior year repayments for income tax purposes.

Box 9 - Federal Income Tax Withheld - This is the total amount of U.S. Federal income tax withheld from your NSSEB, tier 2, VDB, and supplemental annuity payments in 2007. Include this on your tax year 2007 income tax return as taxes withheld. If no taxes are withheld, **-0-** will be shown in this box.

Box 10 - Rate of Tax - If you are being taxed as a U.S. citizen, this item does **not** apply to you. If you are being taxed as a nonresident alien of the United States, this is the rate (0%, 15% or 30%) at which tax was withheld from the NSSEB, tier 2, VDB, and supplemental annuity payments shown on this Form RRB-1099-R.

Box 11 - Country - If you are being taxed as a U.S. citizen, this item does **not** apply to you. If you are being taxed as a nonresident alien of the United States, this item indicates the country of which you were a known or assumed bona fide resident for tax purposes for the payments shown on this Form RRB-1099-R.

Box 12 - Medicare Premium Total - This is only for informational purposes and the RRB does not report this amount to the IRS. This is the total amount of Part B Medicare premiums deducted from your railroad retirement annuity payments shown on this Form RRB-1099-R. Medicare premium refunds are not included in the Medicare total. The Medicare total is normally shown on Form RRB-1042S. However, if Form RRB-1042S is not required for your 2007 taxes, then this total will be shown on Form RRB-1099-R. **Medicare premiums deducted from your social security benefits, paid by a third party, paid through direct billing, or refunded to you will not be shown in this box.**