

As you may know, in *Wisconsin Central Ltd., et al v. United States*, the U.S. Supreme Court ruled that non-qualified stock options granted to railroad employees are not considered compensation under the Railroad Retirement Tax Act of 1937, and are, therefore, not subject to taxation. As a result of that decision, certain railroad employers and employees who previously paid railroad retirement taxes based on the exercise of such stock options were eligible for tax refunds through the Internal Revenue Service.

Based on a recent decision of the RRB's three-member Board, some of those employees who filed for a refund of taxes will see a corresponding reduction in their creditable compensation reported to the Railroad Retirement Board (RRB). Compensation records will be adjusted for those employees who elected to receive a refund of the taxes paid on income from the exercise of non-qualified stock options during calendar year 2014 or later, hereafter referred to as the Adjustment Period.

If you elected to receive a refund for taxes paid on income received during the Adjustment Period, the RRB will instruct your employer to submit to the RRB a corrected report of your compensation for the year(s) for which you elected to receive your tax refund. This means that the compensation previously reported by your employer corresponding to the tax refund you received will be removed from your compensation record.

Creditable compensation is a factor in the computation of a railroad retirement annuity. If you have previously received an estimate of your future railroad retirement benefit rate, and your compensation is now changing, your actual annuity rate may be lower than the estimate.

EXCEPTION: It is important to note that your reported compensation will not be adjusted if you are already drawing a railroad retirement annuity or file an application for an annuity **prior to June 15, 2021.**

Please know that employers are now being notified that they need to submit adjusted compensation reports for individuals who filed for tax refunds related to the Adjustment Period. Until we receive those adjusted reports, we will be unable to provide revised annuity rate estimates to anyone whose compensation amounts may be changing.