



March 7, 2013

Mr. Robert Gless
Deputy Director
AA System Coordinator
Air Transport Division
Transport Workers Union
1791 Hurstview Drive
Hurst, Texas 76054

Re: Taxable Earnings /Prefunding

Dear Mr. Gless,

The TWU International asked our accounting firm to research the method by which prefunding income was being reported by the company. TWU members were asking questions regarding this matter.

Of course each member must consult his/ her own tax advisor for advice. However, we can provide general information on this issue.

Our members reportedly received 2012 W-2 forms that were issued to reflect the taxable earnings on prefunding contributions. Generally speaking an individual receiving these tax forms may include these earnings on their tax form 1040, as W-2 earnings. Based on how the W-2 forms were issued, these earnings are not subject to social security or medicare taxes.

It is important to note that the tax rate on investment earnings would be the same as the W-2 earnings; both are taxable as ordinary income for federal tax purposes. Therefore, the manner by which this prefunding income was reported (W-2 versus 1099) is not expected to adversely impact an individual.

Since the TWU cannot give individual advice, it is again recommended that each union member discuss with their individual tax advisor their specific tax issues and any impact these taxable earnings may have on their 2012 tax return.

Sincerely,

Dina Bellows-Levine, CPA, CFE

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