

Reporting Airline Payment Amount Rollovers Under Public Law 113-243

Announcement 2015-13

PURPOSE

This announcement explains how taxpayers must report rollovers of airline payment amounts under recently enacted Public Law 113-243 (“P.L. 113-243”), which amended certain provisions of the FAA Modernization and Reform Act of 2012.

BACKGROUND

Section 1106 of the FAA Modernization and Reform Act of 2012, P.L. 112-95 (the “FAA Act”), permitted the rollover of an airline payment amount received by a qualified airline employee into a traditional IRA. An “airline payment amount” was defined in the FAA Act as any payment of money or other property payable by a commercial passenger airline, under the authority of a Federal bankruptcy court in a case filed after September 11, 2001, and before January 1, 2007, to a qualified airline employee in respect of certain claims of the employee against the airline. A “qualified airline employee” was defined in the FAA Act as an employee or former employee of a commercial passenger airline who was a participant in a defined benefit plan maintained by the airline, which plan was either terminated or subject to certain restrictions described in § 402(b)(2) and (3) of the Pension Protection Act of 2006, P.L. 109-280.

The FAA Act provided that a qualified airline employee could roll over up to 90 percent of the aggregate airline payment amounts received into a traditional IRA within 180 days of receipt or, if later, within 180 days of enactment of the FAA Act. The date 180 days after enactment of the FAA Act was August 13, 2012. Any amounts rolled over into traditional IRAs could be excluded from the employee’s gross income. In addition, the FAA Act provided that qualified airline employees who had previously rolled airline payment amounts into a Roth IRA pursuant to § 125 of the Worker, Retiree, and Employer Recovery Act of 2008, P.L. 110-458 (“WRERA”), could transfer up to 90 percent of such amounts to a traditional IRA if the transfer was made within 180 days of enactment of the FAA Act. Similarly, any amounts so transferred from an employee’s Roth IRA to a traditional IRA could be excluded from the employee’s gross income for the year the airline payment amount was received from the airline. To accommodate employees wanting to exclude airline payment amounts from gross income for past years, § 1106(a)(3) of the FAA Act extended the limitation period for filing an amended return to reflect such exclusion to April 15, 2013.

Section 125(b)(3) of WRERA provided that a commercial passenger airline making one or more airline payment amounts must report such payments to the IRS and to the qualified airline employees within 90 days of the payment or, if later, within 90

days of enactment of WRERA. Form 8935, *Airline Payments Report*, was used for this purpose.

P.L. 113-243 amended the definition of “airline payment amount” in the FAA Act to include a payment made under the authority of a Federal bankruptcy court in a case filed on November 29, 2011. It also amended the definition of “qualified airline employee” in the FAA Act to include an employee or former employee of a commercial passenger airline who was a participant in a defined benefit plan maintained by the airline, which plan was frozen effective November 1, 2012. Finally, P.L. 113-243 extended to April 15, 2015, the time for filing an amended return by a qualified airline employee who wants to exclude from gross income amounts rolled into a traditional IRA under § 1106(a)(1) or (2) of the FAA Act. P.L. 113-243 did not modify the provision of the FAA Act that specifies that rollover treatment is only available to amounts rolled over within 180 days of receipt, or if later, within 180 days of enactment of the FAA Act.

Thus, pursuant to the FAA Act as amended by P.L. 113-243, a qualified airline employee (as now defined) can roll over into a traditional IRA up to 90 percent of the aggregate airline payment amounts received, provided that the rollover of any airline payment amount is completed within 180 days of receipt of the amount.

Because P.L. 113-243 did not amend the definition of “airline payment amount” in WRERA, the reporting requirements contained in § 125(b)(3) of WRERA do not apply to the additional airline payment amounts added by P.L. 113-243.

REPORTING

Qualified airline employees who received airline payment amounts should include the full amount on Form 1040 for the year of receipt. Up to 90 percent of the aggregate airline payment amounts may be excluded from income if rolled over to a traditional IRA within 180 days of receipt. To exclude these amounts for 2014, a qualified airline employee must file a paper Form 1040 and include the amount rolled over on line 21 of Form 1040 as a negative amount and write “airline payment” on the dotted line next to line 21. For example, if a qualified airline employee received a Form W-2 with airline payment amounts reported in box 1, the employee should include the full amount on line 7 of Form 1040. If the qualified airline employee rolled over those airline payment amounts to a traditional IRA (subject to the 90-percent limitation) within 180 days of receipt, the employee should report the rollover amount on line 21 as a negative number and write “airline payment” on the dotted line next to line 21. Future guidance will provide any changes to these filing and reporting instructions for tax years after 2014.