

Committee Corner

News from ALPA's Committees

Travel Expenses And Per Diem Update— November 2005

A pilot flying the line is always on business travel, and as such, the pilot's qualifying travel expenses are deductible—as ordinary and necessary business expenses. This article, and a more comprehensive one available at Crewroom.alpa.org, reviews the U.S. federal rules regarding the taxation and deductibility of travel expenses, including per diem reimbursements, for the 2005 tax year (for which individual tax returns are due, generally, by April 17, 2006). For the benefit of your tax advisors, the official rules for tax year 2005 are set forth in IRS Revenue Procedure 2004-60, 2004-42 I.R.B., 10/18/2004, Revenue Procedure 2005-10, 2005-03 I.R.B. 01/18/05, and Revenue Procedure 2005-67, 2005 I.R.B. 42, 10/03/05. General information

is also contained in IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses, and IRS Publication 1542, Per Diem Rates. These documents are available at www.irs.gov.

Many of ALPA's collective bargaining agreements provide that the airline will pay each pilot a fixed amount, often called "per diem," to cover meals and incidental expenses that the pilot incurs while on a trip. When an airline makes these per diem payments (or otherwise reimburses a pilot for travel expenses), the airline may *exclude* all or a portion of the per diem payments or reimbursements from the pilot's taxable income reported on the Form W-2, depending on whether the amount paid exceeds the federal per diem rates or special per diem rates applicable to the transportation industry. Frequently, the amount of the per diem payments or reimbursements is not enough to cover the pilot's reasonable business travel expenses, and in those cases, the pilot may be entitled to

claim an itemized deduction for the expenses not covered. If a pilot receives no per diem payments or reimbursements from the employer, or receives per diem payments that the employer includes in the pilot's taxable income, the pilot may be entitled to claim an itemized deduction for expenses incurred while on business travel.

ALPA Retirement And Insurance

Expenses for "overnight trips"

For a pilot's travel expenses either to be *excluded* from the pilot's taxable income or to be claimed by the pilot as an *itemized deduction*, the pilot's expenses must be incurred while on a business trip that requires sleep or rest (an "overnight trip").

Expenses incurred on trips that are not overnight trips do not satisfy this requirement. For pilots, the expenses at issue are usually meal and incidental expenses, because the airline invariably pays for lodging directly or reimburses the pilot for it separately.

Substantiating expenses

Recognizing the burden of requiring actual substantiation, the IRS provides that a designated amount of expenses relating to overnight trips may be *deemed* substantiated. For amounts deemed substantiated, the employee need not maintain any records of the amounts actually spent while on the trip.

If the employer pays for lodging separately, the designated amount of expenses for meal and incidental expenses (M&IE) that is deemed substantiated is equal to the amount the federal government would pay its own employees for M&IE when they travel to the same locality. The federal government publishes M&IE rates for every locality in the world.

The M&IE rates may be obtained via the Internet.

The CONUS (for *Continental United States*) rates can be found at www.gsa.gov, where you can also find a link to the OCONUS (for *Outside CONUS*) rates.

The OCONUS rates are also available at <https://secureapp2.hqda.pentagon.mil/perdiem/perdiemrates.html>.

Committee Corner


Itemized deductions

Most airlines exclude per diem payments from pilots' taxable income to the maximum extent legally permissible. A pilot who has business travel expenses that the employer did not reimburse may claim those expenses as an itemized deduction on his or her tax return. A person claiming this itemized deduction must complete Form 2106, "Employee Business Expenses." Form 2106, and all other IRS forms and publications, may be obtained on the IRS website at www.irs.gov or by calling the IRS at 1-800-TAXFORM.

To claim any business travel expense as an itemized deduction, a pilot must be able to substantiate the time, place, and business purpose of the business travel, as well as the amount of the expense. The time, place, and business purpose must be substantiated with actual records, such as the pilot's logbook. The amount of the business expense must also be substantiated, but in the case of business meals and incidentals, the amount may be *deemed* substantiated (no written records will be required) by using the federal M&IE rates.

The amount of other business travel expenses must be substantiated with records. (The IRS will not require a receipt to substantiate the amount spent on any single purchase, such as a single meal expense, if the expense is

Obtain Competent Tax Advice

As with most matters concerning taxes, U.S. federal law governing taxation of pilots' expenses and per diem payments is complex and can sometimes be confounding. ALPA does not provide tax advice to individual members; therefore, all pilots are urged to obtain competent tax advice about applying the information presented here to their own situations. The more comprehensive version of this article, available at Crewroom.alpa.org, includes updated information for the 2005 tax year, along with new guidance received by ALPA's R&I Department. It discusses how employers may report per diem amounts on Form W-2; M&IE rates and reporting options available to the transportation industry; applying M&IE rates and how to prorate them; and examples of itemized deductions. 

less than \$75; but this rule does not apply to lodging expenses, for which receipts are necessary even if the expense is less than \$75.)

Only 70 percent of the business meal expense is deductible in 2005, and then only to the extent that the pilot's aggregate miscellaneous itemized deductions (including business expenses) exceed 2 percent of adjusted gross income. Note that a pilot's union dues constitute deductible employee business expenses for this purpose. The limit on deductibility of a pilot's business meals will increase to 75 percent for 2006 and 2007, and 80 percent for tax years after 2007.—*Victoria Fortuna, Senior Benefits Attorney, ALPA Retirement and Insurance Department*

ALPA Seeks More Changes from TSA

ALPA supports elements of the modifications that the Transportation Security Administration has made to airport security screening procedures, but the Association has urged the TSA to enhance other aspects of airline security.

The TSA announced on Dec. 2, 2005, that effective December 22, it would permit passengers to carry some scissors and other tools such as screwdrivers and wrenches.

The agency said it was changing the previous prohibitions against these objects so that TSA security screeners—now to be called "transportation security officers"—could concentrate their efforts on searching for explosives and other matters. The TSA also announced that it would make the overall airport secu-

rity screening procedures less predictable.

On the day of the TSA announcement, ALPA issued a statement saying that the Association "is pleased that the TSA is focusing more resources on detecting improvised



explosive devices—the downing of two Russian airliners in August 2004 by suicide bombers provides ample evidence that this threat is real and must be given greater attention."

ALPA added, "Making the security screening process

for passengers less predictable may also have some deterrent value. The increased focus on bomb detection, screener training, and use of canine teams add more layers to the airline security system.”

However, ALPA noted, the Association feels that “decreasing the prohibited list of potentially dangerous items, without making a matching increase in efforts to screen passengers for hostile intent, is not necessarily a step toward increased passenger and crew security.”

ALPA’s president, Capt. Duane Woerth, said, “Our fellow crewmembers and passengers should not have to fear that dangerous individuals are traveling in the cabin, with or without weapons. We have consistently and repeatedly urged the federal government to screen for hostile intent, not just dangerous items.

“Intent, not content, is the key,” Capt. Woerth continued. “The TSA’s new procedures fail to adequately address terrorism’s human element. Although the prohibited list has changed, it is still focused on detecting the tools that a terrorist may use.”

ALPA’s view is that behavioral screening, combined

with advanced identity technologies and physical screening, can produce a superior airport security screening system that is more effective and efficient than the one used today.

Further, ALPA said, the TSA’s announcement of changes for screening checkpoints demonstrates that the agency

ALPA National Security Committee

does not have the resources that it needs to develop an advanced screening system. ALPA strongly believes that airline security ticket taxes should not be the sole method for funding airline security and that the federal government can and should take on a greater role in safeguarding the nation’s airliners.

“As I told the Congress [in 2004], airline security is *national* security and should be treated that way,” Capt. Woerth concluded.

ALPA Revises Ops Bulletin on New MSP Runway 35

Pilots who fly into Minneapolis-St. Paul International Airport (MSP) should note that ALPA has revised a recently issued Operations Bulletin regarding use of the new Runway 17/35 at MSP. The FAA has significantly changed an ATC procedure that it had described to ALPA before it issued Operations Bulletin 2005-11 on Oct. 24, 2005.

That first bulletin outlined proposed landing procedures for Runway 17/35, based on assurances from the FAA that air traffic controllers would ensure that arrivals and departures on Runways 12L/R and 30L/R were through the Runway 35 flight path before the aircraft arriving on Runway 35 crossed the landing threshold. This would have made certain that the possibility of a collision between two aircraft was sufficiently remote to meet the target level of safety if the pilots of the landing aircraft made a last-minute go-around on Runway 35.

Unfortunately, the FAA subsequently concluded that applying this dependent operation would not achieve the maximum capacity gains projected for the new runway. Instead, MSP air traffic controllers must visually separate any aircraft flying a go-around or rejected landing on Runway 35 from aircraft departing on Runways 30L/R or arriving on Runways 12L/R.

Using visual separation makes this operation on the new Runway 17/35 independent, and ALPA believes that it no longer guarantees adequate separation during a rejected landing.

In ALPA Operations Bulletin 2005-12, issued Nov. 10, 2005, therefore, the Association recommends that, because pilots cannot predict when a rejected landing may be nec-

essary on Runway 35, they should consider the following when any approaches to Runway 35 are in use:

- If departures on Runways 30L/R are in use, request an approach clearance for Runway 30L or 30R. Make this request to MSP Approach on initial contact.
- If arrivals to Runways 12L/R and 35 are in use, be extremely alert for opposing traffic if a pilot rejects a landing on Runway 35.

Pilots who have questions or comments about this or any other aviation safety issue or airspace system deficiency should contact the ALPA Engineering and Air Safety Department at 800-424-2470 or EAS@alpa.org.

ALPA Issues Safety Alert On SEA Taxiway Tango

Because some pilots landing at Seattle-Tacoma International Airport (SEA) have misidentified Taxiway Tango as Runway 16R, the Association issued ALPA Safety Alert 2005-03 on Nov. 16, 2005, to alert members to this potential danger. No inadvertent landings on Taxiway Tango at SEA occurred in 2005, but low approaches, followed by sidestep maneuvers to Runway 16R, have occurred. These events have happened most often during the period from November through March, when the sky is overcast with partial breaks in the clouds and when the sun is low in the sky to the south. Wet surface conditions exacerbate the visual confusion. The ALPA safety alert

Committee Corner

points out that multiple measures still exist to enhance flight crew awareness of this problem:

- NOTAMs and the ATIS caution pilots to not mistake Taxiway Tango for Runway 16R.
- The FAA *Airport/Facilities Directory* and the Jeppesen 20-9 page offer the same caution.
- A retroreflective yellow "X," 20 feet square, is positioned in the grass north of Taxiway Tango, and Runways 16L and 16R both have runway end identifier lights

(REIL), which are illuminated during daytime.

ALPA urges pilots to "use extreme caution during visual approaches to Runway 16R" at SEA. Pilots should consider using the Runway 16R localizer as a backup reference for the runway centerline during visual approaches.

Pilots who have questions or comments about this or any other aviation safety issue or airspace system deficiency should contact the ALPA Engineering and Air Safety Department at 800-424-2470 or EAS@alpa.org.

In a Flash, Help Was on the Way

Almost as fast as it took three hurricanes to devastate the southern states in 2005, ALPA put together the legal, technical, and practical elements needed to establish a humanitarian relief fund for its members who had suddenly found themselves without some of life's basic needs.

"In an incredibly short time," says Capt. Paul Rice, ALPA vice-president-administration/secretary, "the ALPA Emergency Relief Fund was created in the wake of Hurricane Katrina, which hit New Orleans on Aug. 29, 2005."

One glance at the minutes of the Fund's board of directors' first formal meeting, dated Sept. 12, 2005, attests to the speediness. Within only 2 weeks, \$39,000 in contributions was already received, and at that initial meeting, the directors approved grants to the first eight applicants.

It all started right after Katrina hit, when ALPA Communications Department Manager Pete Janhunnen went to see Capt. Chris Beebe, ALPA vice-president-finance/treasurer, about another matter, and they started talking about the destruction and wondering how many members were living in the area, and thinking about practical implications, such as what do to about delivery of their ALPA mail.

Janhunnen, who had previously worked for the International Association of Fire Fighters (IAFF), recalled the flood of donations for its members after 9/11 and the fund that had earlier been established for year-round disasters, and Capt. Beebe was struck by the fact that ALPA had no union-wide relief fund for such emergencies. "A number of LECs have Flower Funds, and some MECs have their own funds from donations, but union-wide, we had nothing," Capt. Beebe says.

General Manager Jalmer Johnson joined the conversation, and within minutes a thought was evolving into reality. The group called Margarita Lorenzetti, manager in ALPA's Finance Department, to come over to help flesh out details for a fund that would be supported by contributions and distributed by grants to pilots with emergency needs. Capt. Beebe says, "Duane Woerth deserves a lot of the credit, because he did more than approve it, he led us to move quickly, saying, 'Yes, go for it.'"

There is no time to waste in responding to a hurricane or other disaster. Lorenzetti contacted the IAFF to ask for their help in establishing such a fund, and immediately

was given their bylaws, bank information, and other documents. Capt. Woerth appointed a board of directors—Capts. Beebe, Rice, and Dennis Dolan, ALPA's first vice-president. To overcome the many legal hurdles, Gene Granof, managing attorney in ALPA's Legal Department, contacted a local law firm that works with ALPA and that has expertise in charitable corporations. The directors asked Membership and Council Services Department Manager Joan Gallahan to sort the member database by zip code to see how many pilots had addresses in the storm-battered areas. "The numbers were staggering, many hundreds," Capt. Rice says.

Capt. Woerth announced the Fund in an ASPEN message to ALPA's Board of Directors. The Communications Department composed an appeal to pilots, through a *FastRead* e-mail and the website, to ask for contributions, working with Lorenzetti to make sure it was worded correctly for a nonprofit solicitation. At the same time, Lorenzetti was working with the legal counsel to create the articles of incorporation, with tax counsel on the charitable corporation aspect, and with ALPA's Information Technology Department to make it possible to receive credit card donations through the ALPA website—"all the mechanics of receiving the contributions and giving out the grants," she says.



Capt. Rice and Beebe spent the weekend making calls to pilots to offer financial help from the incipient fund. Most ALPA airlines had pilots affected by the storm. "We started finding people all over the place," Capt. Beebe says. "One



pilot was driving his pregnant wife to Pittsburgh, another had gone to Oregon with his family, another had temporarily moved into a mobile home north of New Orleans." Cell phones

and e-mail were the prime tools of contact, and the MECs were helpful in locating displaced members. Some pilots learned of the Fund by getting to a computer at a friend's house and logging on to the ALPA website.

Capt. Rice was impressed by the resilience of pilots whose homes had been seriously damaged. "Many of them told me, 'I'm OK, my family is OK, and I'm grateful,' and then they'd tell me they had contacted their company, asked for three new shirts and a pair of pants and a flight bag, and gone to work where they were needed."

Members who needed financial assistance for losses suffered from the hurricane submitted an application through Crewroom.alpa.org, ALPA's members-only website. These applications were routed to a special e-mail box, relief@alpa.org, set up for disaster relief fund communications. Gallahan collected the member data on each applicant and forwarded the applications to the Fund directors for review at the next convened meeting. They were held frequently to expedite the distribution of funds. Each approved member was contacted by phone to tell them about the grant they would be receiving. Most members opted to have the funds wired directly into their bank accounts, which made possible their receiving the money in just a day or two. "So many members expressed their appreciation to their fellow pilots and ALPA staff who had come to their aid. They also thanked the ALPA staff for all of our hard work that made the grant possible," Gallahan says.

Meanwhile, Johnson says, "staff people were working above and beyond." The directors and managers were meeting several times a week, despite their very busy schedules, and staff members set aside less urgent tasks to get the Fund working. "But for us it was a labor of love," Johnson says. "We felt that as an organization—pilots and employees—we wanted to do something."

"And then," Capt. Rice says, "in the financial environment we're all operating in, the pilots donated money!" Donations were coming in from pilots all over the world—some of the earliest contributors were Canadian pilots—and from ALPA employees as well. Capt. Beebe says that one of the speakers at the ALPA Air Safety Forum made a generous contribution to the Fund.

"Then, when the Fund ran out, we broadcast that we needed about another \$20,000," Capt. Rice says, "and there it was. But that's what pilots do, they help their own."

"The pilots responded magnificently in a short period of time," Capt. Beebe says, "and I'm proud to say we were able to give help to just about everyone who requested it. Every dollar contributed goes to a pilot in need, and we're handling the funds in a separate account. The Association is absorbing all administrative costs."

As of Nov. 30, 2005, the fund had received 555 contributions from pilots, employees, and others, amounting to \$104,824, and had distributed \$97,500 to 54 pilots.

Hurricane Katrina was the impetus for the Fund, so it was in place for victims of Hurricanes Rita and Wilma. Now, with the hurricane season over, the Fund is "in a holding pattern," Lorenzetti said in early December.

But the intention early on was to make the ALPA Emer-

ALPA Emergency Relief Fund

gency Relief Fund a permanent fixture. The Fund guidelines state: "The purpose of the Fund is to provide financial assistance for temporary emergency expenses for ALPA members and their dependents who suffer a financial hardship as a result of a disaster declared by the federal, state, or local government...up to \$2,500 per recipient." Lorenzetti says, "We hope to build on the balance so if and when the next disaster arrives, we'll have readily available money to distribute quickly."

And quietly the work continues. In early December 2005, attorney Granof said that application had been made to the IRS for tax-deductible status, and "our counsel advises us that it will likely be approved within 90 to 120 days."

Capt. Beebe says that the directors would like to set up a checkoff program so pilots automatically can contribute \$5 or \$10 a month. Annual appeals in *Air Line Pilot* and MEC publications may also help build a cushion. One technique that won't be used is competition between pilot groups. "We've consciously taken the route that these are to be contributions from the heart," Capt. Beebe says, "not something people are seeking recognition for. We didn't want to diminish the effect by putting names up in neon." Capt. Beebe also would like to have the directorship handed off to three other pilots.

The last word in the ERF story goes to First Officer John Ryan (Continental), who was interviewed during the heart of the donation drive after the roof was torn off his New Orleans home—he and his wife and four little kids finally ended up settling in a small apartment in Miami. He says, "We appreciate what you guys are doing for me and my family. It helps—believe me, it does." —*Susan Burke, Publications Specialist*



What Do Terrell Owens and FedEx Have in Common?

The Philadelphia Eagles football team's management suspended wide receiver Terrell Owens on Nov. 5, 2005, for publicly dissing his teammates and management, and for fighting with another player. Eagles management decided they'd had enough of the talented but serially problematic Owens and told him they no longer desired his services. Owens

swung vote to overturn the termination of the two pilots for their roles in an A310 landing overrun accident.

On June 28, 1999, the two pilots were the flight crew of FedEx Flight 77S on a leg from Cebu to Manila in the Philippines. While the airliner was entering the downwind leg for Runway 24 at Manila's Ninoy Aquino International Airport, air traffic control

detailed information or a final report from the Philippine officials, FedEx management launched its own investigation in July 2003. On May 19, 2004,



CAPT. JOHN BEATTY (FEDEx RET.)



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publicly apologized to the Eagles, but the franchise found his act of contrition too little, too late.

Sports writers, football fans, and the general public awaited the outcome of Owens's last hope to return to the gridiron as an NFL player during the 2005 season—his union's appeal to a professional arbitrator, Washington, D.C.-based attorney Richard I. Bloch, selected by the NFL Players Association and management to resolve the issue. On November 23, Bloch issued his decision, denying Owens's grievance to be reinstated to the Eagles' active roster or released to sign with another team.

While Owens's foibles made national news, few people knew of nor would care about the "Opinion and Award" that Bloch issued on Oct. 11, 2005, in another arbitration. But that was a memorable day for two FedEx Express pilots. As neutral arbitrator and chairman of a three-man System Board of Adjustment, Bloch cast the

asked the pilots if they could land on Runway 6. The first officer, the pilot flying, used speedbrakes to hasten the descent. The captain, dealing with a relatively high workload at the time, asked ATC for a 360-degree turn. He received no response to the request. Because of adverse weather approaching the airport, the captain advised the first officer to continue to land on Runway 6. The first officer set the autobrakes to "low."

The crew reacted quickly and landed in the touchdown zone, but their A310 failed to stop on the 11,768-foot runway or the 490-foot paved overrun. The airplane hit an ILS localizer antenna system before it stopped short of a road. FedEx alleged that damage to the airplane and airport equipment exceeded \$20 million.

FedEx management responded by suspending the two pilots with pay and waited for the Philippine government to investigate the accident. Almost 4 years later, after not receiving

management fired the two pilots, who appealed the termination. The company upheld the decision on July 8, 2004.

The Railway Labor Act, which governs labor practices for ALPA and other transportation unions, mandates that an appeal process called a System Board of Adjustment be written into collective bargaining agreements. In the airline industry, the System Board usually consists of a union representative, a management representative, and a neutral arbitrator. The union and management jointly select the "neutral" from a list of several arbitrators named in the current labor contract, or go to a highly respected professional group, the National Association of Arbitrators, to retain the services of an arbitrator.