

New CSX Meal Per Diem Q&A

Q. Are my travel allowance and meal per diem payments (“Expenses”) changing?

A. Yes.

Q. How are my “Expenses” changing?

A. Employees are currently paid a daily meal per diem of \$28 per day seven days per week (\$196), as well as a “flat weekly travel allowance” in accordance with their gang assignment (SPG - \$202, SLWT - \$107.64, District Floating - \$77.73) for each round trip made reporting to/from work. Beginning December 28, 2019, employees will only be paid a daily meal and incidental expense allowance (“M&IE”).

Q. What is “M&IE”?

A. “M&IE” is the abbreviation for meal and incidental expenses. “M&IE” payments are intended to cover the daily cost of meals and incidental expenses for employees who are performing service for their employer away from their home. IRS rules and regulations currently permit transportation industry employees to be paid a daily maximum “M&IE” payment of \$66 without being taxed.

Q. How will this “M&IE” arrangement work?

A. IRS rules and regulations currently permit transportation industry employees to be paid a daily maximum “M&IE” payment of \$66 without being taxed. The “M&IE” will be paid in varying amounts based on each employee’s assigned work week (4-10’s, 5-8’s, etc.) and respective gang assignment (SPG, SLWT or District Floating). At no time will the daily “M&IE” exceed the maximum of \$66 per workday and at no time will the *net total* amount for weekly expenses be less than the current amounts. See the attached chart to see what the “M&IE” payments will be.

**Note that the provided chart anticipates employees work the entire workweek and does not anticipate exceptions that would reduce “take home pay”.*

Q. *Net total amount* refers to the employee’s “take home pay after taxes.” Will my “M&IE” payments now be taxed?

A. Under the new arrangement, “M&IE” payments will not be subject to tax for workdays. However, “M&IE” payments on rest days and holidays (when the employee does not work) will be subject to tax.

Q. Why change from the current “Expenses” arrangement if “M&IE” payments will also be taxed?

A. The current “Expenses” arrangement could subject *all expense payments to taxes*. In other words, **under the current “Expenses” arrangement, employees could pay anywhere between \$1,800 to \$3,500 in taxes annually** depending on their gang assignment. These taxes would be in addition to annual taxes employees already pay. CSX would also be required to pay taxes on all expense payments, which could result in millions of dollars. Under the new arrangement, neither maintenance of way employees nor CSX pays tax on “M&IE” payments on workdays. Only taxes are paid

for “M&IE” payments on rest days and holidays (when the employee does not work). This arrangement mitigates tax liability for maintenance of way employees’ and CSX.

Q. Will my “take home pay” for expenses be less under the new “M&IE” arrangement because of the taxes on my rest day payments?

A. No, your “take home pay” for expenses will not go down, excluding two exceptions. Under the “M&IE” arrangement, CSX will *gross-up your rest day payments only* so that you are paid the same dollar amount as current expense payments. *Gross-up* simply means to increase the amount paid to include deductions (taxes) so that the net total paid results in the full value owed to the individual.

Q. What are the two exceptions that would reduce “take home pay”?

A. If you are absent on any assigned workday for any reason (except holidays), your daily “M&IE” payment will be reduced by 1/7th or 1/14th (depending on your work assignment schedule). If you are absent the entire work week, no “M&IE” payments will be made.

Q. Will my “weekly minimum payment” increase with inflation?

A. Yes. Under the new agreement, beginning January 1, 2020 and continuing each January 1st thereafter, the “weekly minimum payment” will be annually adjusted by the percent change in the Consumer Price Index for Urban Wage Earners and Clerical Employees (“CPI-U”). The Bureau of Labor Statistics provides the report/data to which the annual adjustments are based upon.

Q. Can my “weekly minimum payment” ever decrease?

A. Yes. It is possible that your “weekly minimum payment” could decrease but that would require costs of living to decrease under the CPI-U. However, under the new agreement, your “weekly minimum payments” cannot decrease below the current 2019 amounts.

Q. How will I know that I received the amount that I am entitled to be paid with the varying daily “M&IE” payment amounts and “gross up”?

A. CSX intends to include **all amounts paid under the M&IE arrangement for days worked** in your regular paycheck, and such payments will be clearly identifiable in the line item “Work Day M&IE Per Diem”. **All “M&IE” payments for rest days** will be paid in a separate paycheck identifiable in the line item “Gross-Up M&IE Pier Diem”. The combined net total amount between your non-taxed workday “Work Day M&IE Pier Diem” and your rest day “Gross-Up M&IE Pier Diem” will result in the net total value to which you are entitled.

Q. Will I need to provide CSX any receipts to get my “M&IE” payments?

A. No. You will not be required to submit receipts under the “M&IE” payment arrangement.