The World Bank Group Tax Allowance System

U.S. federal and state income taxes and Social Security and Medicare taxes for eligible U.S. citizens

The World Bank Group Tax Allowance System

Purpose

The U.S. tax and Social Security systems are complex and ever-changing. An annual income tax return is complicated enough for the average citizen to complete -- and here at the World Bank, U.S. citizens have additional paperwork to do because estimated income and self employment taxes (Social Security and Medicare contributions) must be made four times a year.

This booklet is intended to explain the tax obligations of staff members who are U.S. citizens and who are paid net of tax. It will also explain the Bank's "tax allowance system" in the simplest way possible. It gives examples of how the tax allowance works for staff with different personal circumstances, and it explains the forms that are required to be filed.

For additional information or answers to questions about the Bank's tax allowance system or how the tax allowance is calculated, please contact the Bank's Tax Office. However, neither this booklet nor the Tax Office can give individual tax advice.

Included in this booklet is an explanation of the Bank's tax allowance system for U.S. staff assigned to Headquarters. It is not intended to establish staff rights or create Bank obligations. A complete description of the tax allowance system can be found in Staff Rule 6.04 of the Staff Manual.

I. Introduction

In most organizations in the United States, workers earn a gross salary. Once the employer withholds estimated income taxes and payroll taxes, including Social Security and Medicare taxes, the result is net salary.

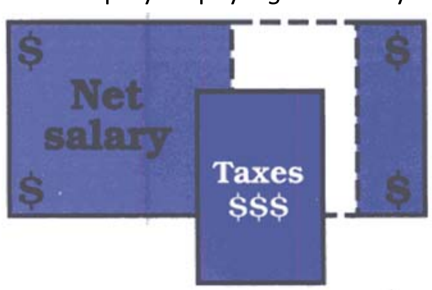
The World Bank Group[1], like many other international organizations, has a different system for paying its staff.

Under the Bank's Articles of Agreement, non-U.S. citizens assigned to work in the U.S. do not have to pay U.S. income taxes on their Bank income. For that reason, the Bank's compensation system provides for net salaries – salaries that are net of taxes.

U.S. citizens, however, are required to pay income taxes and self-employment taxes on their Bank incomes. Since the Bank pays net salaries to U.S. citizens holding Regular, Open-ended and Term appointments, the Bank also provides these staff a "tax allowance" to help pay the federal, state, local, and Social Security taxes.

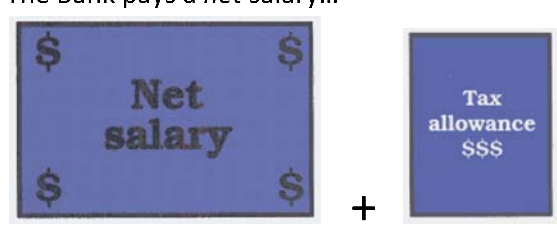
(U.S. citizens who are short-term or extended term consultants, or temporary staff, are paid gross fees and do not receive a tax allowance.)

Most employers pay a *gross* salary…



..but income taxes are deducted, which leaves a net salary.

The Bank pays a *net* salary…



...and a tax allowance is added to help cover the taxes owed.

[1] The World Bank Group includes IBRD, IDA, IFC and MIGA. This booklet refers to them as "The Bank".

Tax Allowance System

The Bank has set up the tax allowance system so U.S. citizen staff—who owe taxes on their Bank income—are treated similarly in salary matters as their non-U.S. citizen colleagues who do not pay income taxes on their income from Bank employment.

The Bank's tax allowance system is based partly on the staff member's personal tax situation, and partly on the average itemized deductions taken by the average taxpayer at the Bank's income level (according to nationwide IRS statistics).

The Bank uses the following personalized data to help calculate the tax allowance:

- The total Bank pay – including net salary and any dependency allowance or other taxable payments from the Bank (but not including any outside income);
- The staff member's filing status – single, head of household, married filing jointly/qualifying widow(er), or married filing separately;
- The number of exemptions claimed for the staff member and/or spouse plus any qualified dependents;
- The state of residence – for example: District of Columbia, Maryland or Virginia (which all have different tax rates);
- The spouse's income – if the spouse has taxable income.

To take account of the varying amounts of itemized deductions (including mortgage interest, real estate taxes, state income tax payments, charitable contributions, and several other expenses), the Bank deducts an average of the itemized deductions claimed by taxpayers nationwide at each income level (statistics of these averages are obtained from the IRS).

A gross salary is then calculated from the actual net salary. The difference between the gross and net salaries is the tax allowance. (The process used to calculate tax allowances is explained in more detail later.)

Tax Allowance vs. Taxes Owed

The tax allowance may not match the income taxes that are owed. The reasons are as follows:
First, the Bank does not take into account any income received outside of the Bank salary -- e.g., interest on savings, investment returns, rentals, etc. Since the staff member's outside income is not included in the tax allowance calculation, the staff member must pay the taxes due on that income.

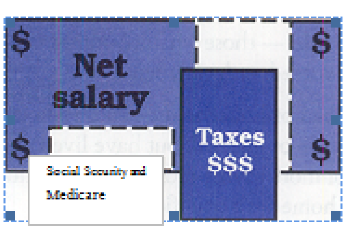
Second, the tax allowance is based on the average itemized deductions claimed by taxpayers at that income level. In addition, it does not take Alternative Minimum Tax (AMT) into consideration. If the actual itemized deductions claimed on the annual income tax returns are different from the average, or if there is an AMT, the tax allowance will be higher or lower than the taxes that are owed.

- If the actual itemized deductions are lower than average -- for example, if you don't have any mortgage interest and real estate taxes to deduct, the taxes you owe could be higher than average. In this case, the tax allowance may not be large enough to cover the taxes due, and the difference will have to be paid from the net salary. The staff member may request a safety net payment (an additional tax allowance payment) by providing additional data, including the actual tax return, to the Bank (see discussion of the safety net, in Part V below).
- If the actual itemized deductions are higher than average -- for example, if you have a large amount of deductions, such as considerable mortgage interest and real estate taxes or charitable contributions, your taxes are probably lower than average. In this case, once you pay your taxes, you may have some tax allowance left over.

Third, the tax allowance only covers one-half of your self-employment tax liability, corresponding to the employer's share of Social Security and Medicare taxes in the U.S. private sector. The remaining half, corresponding to the employee's share of Social Security and Medicare, must be paid with your own funds, from your net salary. For this reason alone, the total tax liability on Form 1040 will, in the large majority of cases, be greater than the tax allowance paid to you for the year. This is explained in greater detail below.

Other taxpayers

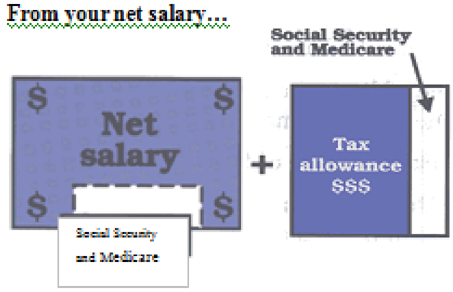
From their net salary (after taxes)....



...Social Security (6.2% on earnings up to the social security ceiling) and Medicare (1.45% on all earnings) is deducted.

Bank's U.S. Citizens

From your net salary...



...your share of Social Security (6.2% of the first earnings up to the social security ceiling) and Medicare (1.45% of all the pay) are your responsibility. The Bank's share of Social Security and Medicare is added to the tax allowance.

Paying taxes

Most employers send the taxes withheld from workers' paychecks directly to the government. However, because the Bank does not withhold taxes, the staff member must make their own tax payments four times a year.

To simplify the process, the Bank, on a quarterly basis, deposits about one-fourth of the annual tax allowance directly into the staff member's bank account. This is included in the payroll deposit two weeks before each quarterly federal tax payment is due. The Bank's share of their Social Security and Medicare tax payment is also included.

Every quarter, the staff member must send in a tax payment form with their federal, Social Security and Medicare payment and enclose a check for the amount due. There is a similar form and procedure for state tax payments. More details about these quarterly tax payments appear later in this booklet.

II. Calculating the Tax Allowance

Total Bank Pay

The starting point for determining the tax allowance is net salary. However, for tax purposes, this figure may include more than just the base pay.

Some additional taxable payments, such as the following may be received:

- Dependency allowance -for your spouse, for each eligible child, and other eligible dependents
- Overtime pay
- Value of some Bank life insurance over $50,000 (by law, it is considered "imputed income" and must be taxed)
- Relocation grants (such as shipping grants and any relocation or settling-in grants)
- Cost of trips by your spouse financed through "points"
- Termination grants or accumulated annual leave paid if you leave the Bank
- Bank's share of Social Security taxes

Any such payments received will be added to the net salary to determine the total Bank pay. The tax allowance will be based on this combined amount.

Filing Status

The next factor in the tax allowance calculation is the filing status. The IRS has different tax rates for the following taxpayer situations:

1. **Single** – those who are unmarried, divorced, or legally separated
2. **Head of household** – those who are single or married, but have lived apart for more than 6 months, and maintain a home for a qualified dependent
3. **Married filing jointly** – those who combine their income and deductions with their spouse's (or their deceased spouse's) and pay taxes on the combined total
4. **Married filing separately** – those who are legally married, but for various reasons choose to file separate income tax returns on which they report only their own income and deductions
5. **Qualifying Widow(er) with dependent child** – those whose spouse died during prior two years and who had a child living with them whom they can claim as a dependent

Personal Exemptions

A personal exemption may be claimed for the taxpayer, the spouse, and for each eligible dependent. The amount of each exemption claimed on the federal income tax return is reported on Form 1040. This is indexed annually.

State of Residence

Part of the tax allowance is for state and local income taxes. Because each state has a different tax system, the Bank must consider where the staff member lives in calculating the state and local taxes.

Spouse Income

If the staff member is married and the spouse has taxable income, then the combined family income is higher than the earnings from the Bank. In order to make this calculation, the spouse's income as reported by the staff member on Form 70 must be converted to a net amount by calculating and deducting federal and state income taxes.

Different procedures are then used to calculate the tax allowance depending on whether the spouse's net income is lower or higher than the staff member's. If the spouse's net income is **lower**, both net incomes are added together. A gross combined income is determined and the taxes owed on it are calculated. The spouse's taxes (as calculated by the Bank) are subtracted, and the remainder is the tax allowance.

However, if the spouse's net income is **higher,** the tax allowance would be determined as the larger of the allowances calculated under two methods. One method is to ignore the spouse's income and calculate the tax allowance using "married filing separately" tax rates, one personal exemption and the prorated dependent exemptions. The second method is to calculate the combined tax using "married filing jointly" and subtract the tax calculated previously on the spouse's income. The tax allowance is based on the method that provides the larger tax allowance.

Average Itemized Deductions

The factor that usually has the greatest impact on whether the tax allowance covers the taxes on the Bank income is the amount of average itemized deductions. The taxpayers can claim certain itemized deductions on the tax return to lower their taxable income and their taxes. Two taxpayers who earn the same gross salary may owe different tax amounts if their itemized deductions are different. Taxpayers may take a "standard deduction" if it is higher than their itemized deductions.

The Bank does not know how much a staff member might claim in itemized deductions, and it does not require disclosure of this information on the Form 70. Therefore, in calculating the tax allowance, the Bank uses average itemized deduction amounts taken from IRS statistics.

The Bank adjusts these statistics to exclude state and local income taxes (which aren't deductible on *state* income tax returns). Once the Bank calculates the state tax allowance, that amount is added to the average itemized deductions to calculate the ***federal*** tax allowance.

At some salary levels, the average itemized deductions amount is *lower* than the standard deduction that taxpayers who don't itemize can take. In that case, the Bank uses the standard deduction in calculating the tax allowance.
The tax allowance statement received from the Bank each quarter shows the average itemized deductions amount used in calculating the tax allowance.

Gross Salary

All the factors described so far are used to develop a gross salary on which taxes can be calculated. This gross salary amount is used in calculating the tax allowance, Social Security and Medicare tax payments. It is also the gross salary amount that is reported to the IRS on the staff member's W-2 form.

Calculation process

The Bank uses both the data the staff member provides annually on Bank Form 70, *Tax Allowance Certificate* (see Page 12) and other data such as net salary from the Bank's payroll records. IRS data on tax rates, as well as the local taxing jurisdiction's rates and average itemized deductions are used in the calculation of a tax allowance.

In simple terms, it is an iterative process that starts with net salary and adds in other taxable payments (dependency allowance, the Bank's tax allowance and other items) to arrive at total Bank gross pay. The gross pay is calculated so that, when the tax allowance amount is subtracted, it yields the exact total net of tax pay. The taxes that are deducted from the gross pay become the amount of the tax allowance.

III. Social Security and Medicare

In addition to federal, state and local income taxes, most U.S. workers also pay Social Security (up to a certain limit) and Medicare taxes on their gross income. (For 2011, the limit is $106,800 for Social Security; ***no*** upper limit for Medicare.) The Social Security and Medicare taxes -- as well as the benefits received later -- are based on gross salary.

As an employee of an international organization, Social Security and Medicare taxes must be paid at the ***self-employed rate,*** which is double the rate most other workers pay. (Bank staff are considered self-employed for Social Security and Medicare purposes only.)
The amounts of income on which they are applicable change annually.

Social Security and Medicare Taxes for 2011				
	Self-employed Rate	Staff Member's Share[2]	Bank's Share	Subjected Gross Earned Income
Social Security taxes	10.4%	4.2%	6.2%	$106,800
Medicare taxes	2.9%	1.45%	1.45%	*No Limit*
Total	13.3%	5.65%	7.65%	

Although Bank Staff owe Social Security and Medicare taxes at the higher self-employed rate of 13.3%, the staff member actually pays the same rate as other taxpayers. The Bank pays 6.2% in Social Security and 1.45% Medicare taxes as part of the tax allowance, and this payment is included within the tax allowance.

The Bank's share of Social Security and Medicare can be taken as an adjustment to gross income on the federal income tax return. District of Columbia, Maryland and Virginia also allow this adjustment.

According to the Instructions for Schedule SE (Self-Employment Tax) at www.irs.gov, the wages of U.S. citizen employees of international organizations for services performed inside the United States are subject to self-employment tax. Wages for services performed outside the U.S. are not subject to self-employment tax. The Bank will use travel data to determine the amount of work performed outside the U.S. and to calculate the portion of the total earnings subject to the self-employment taxes, and adjust the Bank’s portion of the SE accordingly.

[2] The same rate most other U.S. citizens pay.

IV. What Staff have to do

File a "Tax Allowance Certificate" Annually

Each year, the staff member needs to file the Bank's "Tax Allowance Certificate" (also known as Bank Form 70 – see pages 14, 15, and 16) to update the various personal factors used to calculate the tax allowance – filing status, number of personal exemptions, any outside income the staff member earns that is subject to Social Security and Medicare taxes, and any income by the spouse. Notification to submit this form electronically is sent to each eligible staff member in February.

The form is personalized. It shows the personal data currently in the system (from the previous year). It also provides space to update this information for the coming year. The staff member should use the same filing status for the tax allowance that is used on the federal income tax return (single, head of household, married filing jointly/qualifying widow(er), or married filing separately).

Also, the same number of personal exemptions should be claimed for the tax allowance calculation that is claimed on the federal and state income tax returns. If, at any time during the year, the personal factors change – for example, the staff member gets married or becomes divorced, has a child, or moves to a different state – an amended Tax Allowance Certificate should be submitted electronically. The tax allowance will be recalculated, and the new amount will be reflected in the next quarterly payment that is received.

Estimated Annual Taxes

Taxpayers are required to pay an adequate amount of their income taxes in the current year, even though they will not file their income tax return until the following year. Under law, the four payments in the aggregate must be no less than a certain minimum amount: the lesser of (i) 90% of the taxes that will eventually be owed in current year or (ii) 100% of the previous year's taxes (110% if the adjusted gross income of the previous year is more than $150,000 or, if married filing separately, more than $75,000).

The states also have similar requirements for minimum estimated tax payments.   If the minimum estimated tax payments are not paid, both the IRS and states may impose underpayment penalties. The rules vary each year; therefore, it is important to refer the federal and state estimated tax payment instructions before calculating the estimated payments.

It is important, then, to estimate the annual taxes carefully -- including the taxes owed on any outside income--and make quarterly tax payments accurately and on time.

The IRS provides a worksheet with IRS Form 1040-ES for estimating the current year federal taxes. The District of Columbia, Maryland and Virginia have similar worksheets for estimating state and local taxes.

Each year, staff members should refer to the estimated tax payment instructions of each tax jurisdiction to avoid underpayment of quarterly estimated tax payments.

The federal and state estimated tax instructions and vouchers are available in the HR Kiosk under Your Taxes.

Make Quarterly Tax Payments

The staff member must make at least the minimum quarterly tax payments directly to the federal and state governments. One-fourth of the total amount of tax calculated on the estimated tax worksheets is owed. (However, if you receive a pay raise during the year, you should update your worksheets.) You must also pay your Social Security and Medicare tax along with your federal income tax payments.

The Bank gives the staff member about one-fourth of the total tax allowance, Social Security and Medicare payment about two weeks before the IRS deadline on a quarterly basis. The money is included with the payroll deposit. A quarterly tax allowance statement showing the amount deposited is available in the HR Kiosk under Your Taxes.

The IRS and local governments each provide quarterly tax payment vouchers to be sent with a check for the taxes owed. Each voucher gives the exact date that the payment is due -which is usually the middle of April, June, September, and January.

Remember, if the tax allowance is less than the total taxes owed, an additional amount will have to be paid from the staff member's funds added to cover the taxes due. The staff member can then apply for a safety net tax allowance, discussed further below.

File Income Tax Return

Every April 15, Federal and state income tax returns for the previous year are due by April 15, although in Virginia, the deadline to file state tax return is May 1. The same procedures that apply to U.S. taxpayers for filing their federal and state income tax returns would apply to Bank staff who are U.S. citizens.

However, because Social Security and Medicare taxes are paid at the self-employed rate, a Schedule SE must also be filed with your Form 1040. The Form 1040 and Schedule SE (Self-Employment Tax) can be downloaded from www.irs.gov.

Avoid Penalties

There are penalties if taxes are not paid accurately and on time. The IRS and state tax authorities will charge interest and penalties if the tax payments are not sufficient to cover the taxes. As mentioned earlier, for tax year 2011 federal estimated payments should be at least 90% of the current year tax liability or 100% of previous year's taxes (110% if the adjusted gross income of the previous year is more than $150,000 or, if married filing separately, more than $75,000) - whichever is lower. States also have underpayment penalties.

If quarterly tax payments are late, the IRS and state tax authorities will assess additional penalty that will have to be paid in addition to the taxes owed.

If you fail to pay, or underpay, your taxes, both the IRS/state tax authorities and the Bank may take action against you. The IRS/state tax authorities may impose fines, penalties, interest, and liens, or prosecute you, and the Bank may investigate whether you have committed misconduct by failing to comply with your tax obligations, as required under the Staff Rules. A finding of misconduct may result in the imposition of disciplinary measures, including the termination of your employment.

Form70 | Wflow Status

Form 70 Tax Allowance Certificate - Federal, State & Local

(for U.S. Nationals Only) **Status:** Processed

Personal & Confidential Information

Name:	**Social Security Number:**
Staff UPI No:	**Street Address:**
Room/Mail Stop:	**City, State, Country and Zip:**
Extension:	**Appointment Type:**
Marital Status:	**Number of Dependents:**

Form #: 1		2009 Estimated		2010 Estimated	
1. Filing Status		Mar.Joint		Mar.Joint	
2a. Number of Federal Exemptions	Regular	3		3	
2b. Staff/Spouse Other Deductions	Over 65	Staff	Spouse	Staff	Spouse
	Blind	Staff	Spouse	Staff	Spouse
3. Number of Dependent children under age 17 as of 12/31		1		1	
4. Staff Outside Income Subject to Social Security Tax (Include only 92.35% of SE Income, exclude Bank ETT/ETC/STT Wages)		$0.00		$0.00	
5. Number of operational travel days outside the United States, while on Regular/Fixed Term appointment, used in calculating your Self-employment tax (Not applicable to Overseas Staff member)		28			
6. If you qualified for the IRS Physical Presence Test or Bona Fide residence test for any part of the year, please provide the number of days claimed on IRS Form 2555		0			
7. Are you a transfer employee from the U.S. Federal Goverment with re-employment rights under title 5, United States code Section 3582?		No		No	

Spouse Information - Federal		
8. My Spouse is employed by the Bank Group	No	No
Spouse appointment type		
9. Spouse's Citizenship	US	US
UPI Number (if spouse is US Citizen and Bank Staff)	00000000000	00000000000
10. My Spouse is employed by another International Organization (IMF, IADB, etc.)	No	No

SPOUSE INCOME (Lines 11 through 16 are applicable only when filing status is MJ)
* Reference: 2009 Form 1040 line numbers only

11. Spouse Earned Income less spouse adjustments (Form 1040, lines 7 and 12*) (Form 1040, lines 23 through 35)	$52,000.00	$52,000.00
12. Spouse Unearned Income (Form 1040, lines 8a, 11, 14 through 21 and (9a minus 9b)*)	$400.00	$400.00
13. Taxable Refunds (Form 1040, line 10)	$0.00	$0.00
14. Spouse Capital Gain or (Loss) for assets held one year or less (Schedule D, line 7)	$0.00	$0.00
15. Spouse Capital Gain/Loss for assets held > 1 Yr,subject to 5% or 15% Maximum Rate (Schedule D, line 15)	$0.00	$0.00
16. Spouse Qualified Dividends (Form 1040 Line 9b*)	$155.00	$155.00
Total	$52,555.00	$52,555.00

STATE - Current Year 1 of 1

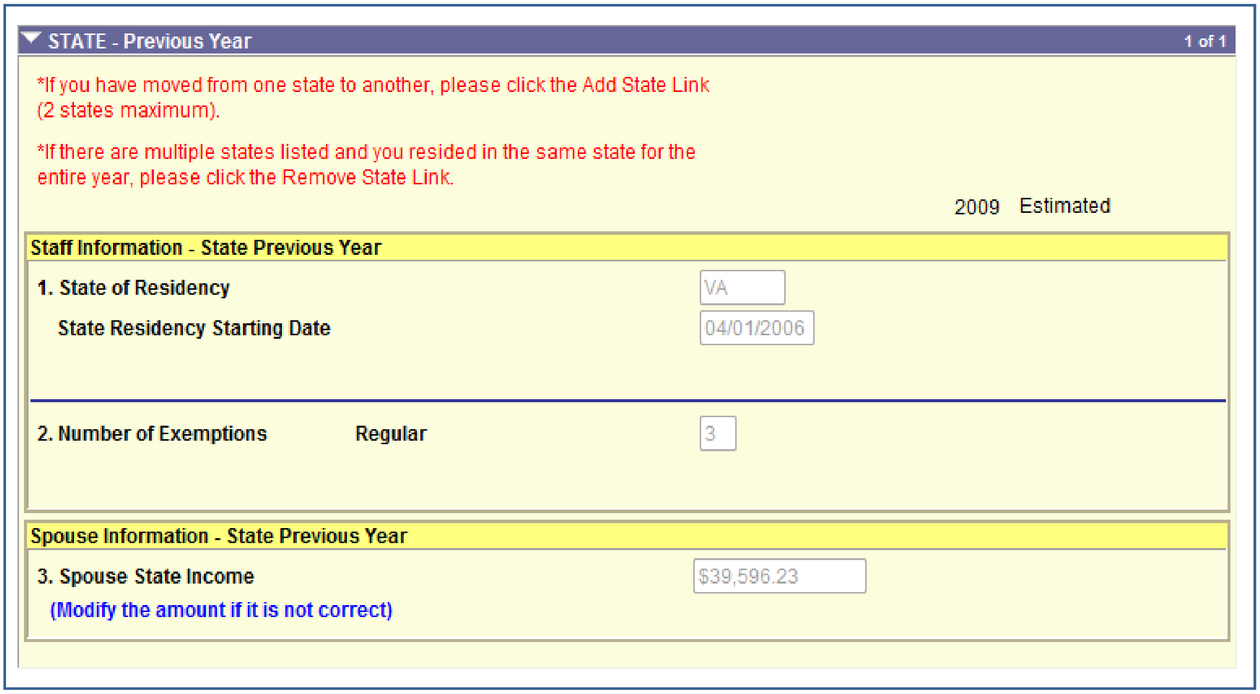
*If you have moved from one state to another, please click the Add State Link (2 states maximum).

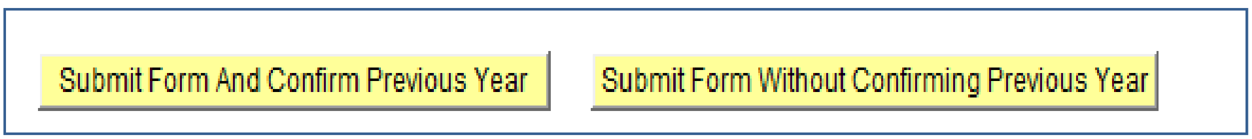
*If there are multiple states listed and you resided in the same state for the entire year, please click the Remove State Link.

2010 Estimated

Staff Information - State Current Year		
1. State of Residency		VA
State Residency Starting Date		04/01/2006
2. Number of Exemptions	**Regular**	3

Spouse Information - Current Year	
3. Spouse State Income **(Modify the amount if it is not correct)**	$39,596.23





Please note:

If you have finalized your tax returns, please update your previous Form 70 data and click on “Submit Form and Confirm Previous Year” button. Please DO NOT click this button if you have not yet finalized your tax returns. If you have not yet completed your tax returns and enter only the estimated information on the Form 70, click “Submit Form Without Confirming Previous Year” button. Please ensure to click “Submit Form and Confirm Previous Year” button once you have completed your tax returns.

V. Safety Net

The tax liabilities of staff vary depending on their personal circumstances, their non-Bank income and/or the income of their spouse.

The tax calculation takes into account each staff member's actual state of residence, number of dependents and filing status. The calculation assumes that each staff member subtracts from income the same level of itemized deductions, except from the federal deduction for state income tax, as the average amounts claimed by U.S. taxpayers nationwide who have the same income. The tax allowance calculation includes this and other assumptions in order to limit the amount of personal information that a staff member must disclose to the Bank. A staff member applying for the regular tax allowance does not need to submit a tax return to the Bank, unless requested by the Bank to verify the information reported on Form 70.

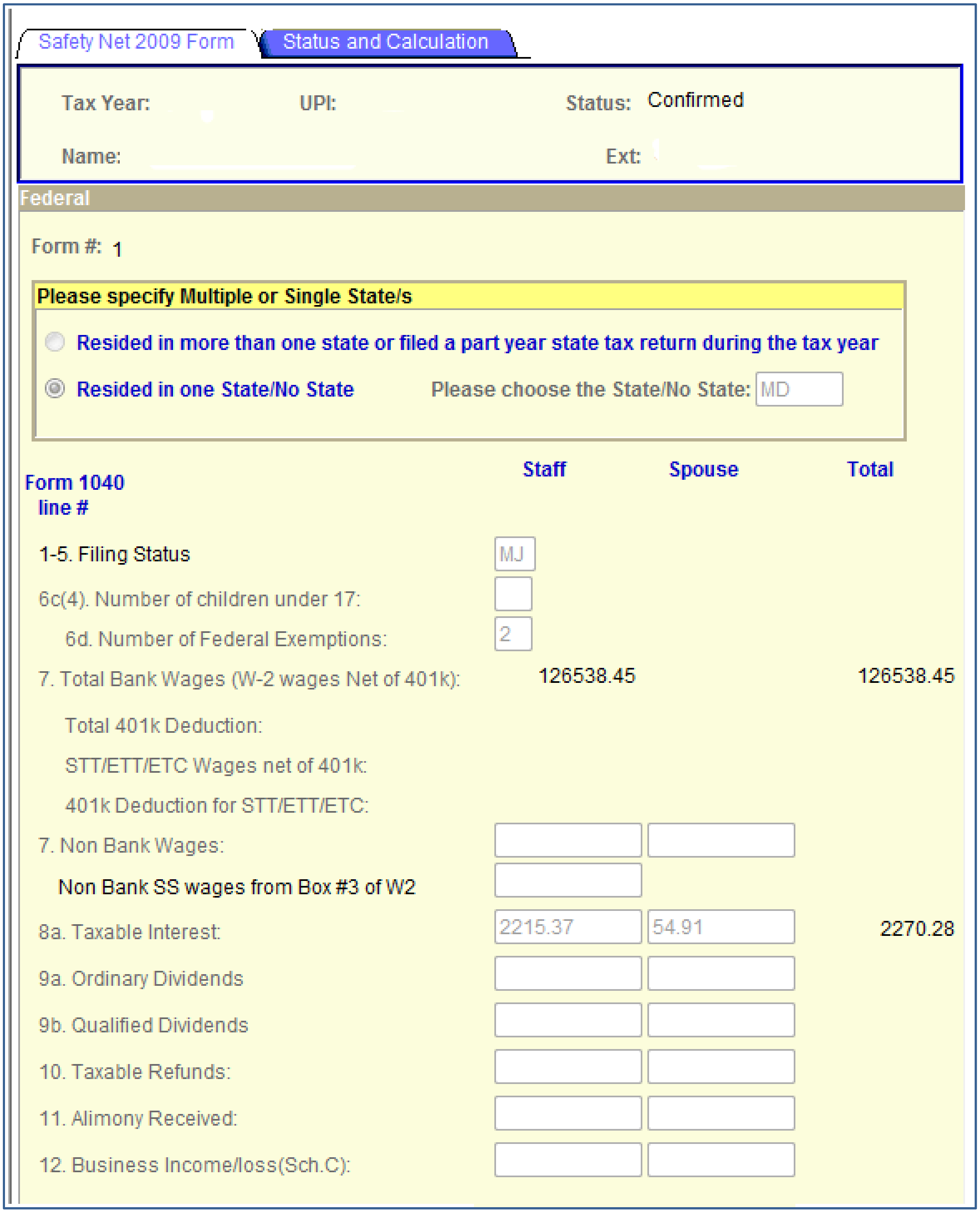
Since the tax allowance in some cases could be less than the actual tax liability on Bank income, particularly where the staff member's actual deductions are less than the amount of deductions assumed for purposes of the tax allowance calculation, a mechanism is in effect, referred to as a "safety net", for which all staff members receiving a tax allowance may apply. The safety net can increase (but not decrease), your total tax allowance payments for a given year. Since the safety net calculation requires more actual data, those applying for the safety net must submit copies of the actual tax returns filed with tax authorities. Additionally, the safety net calculation takes into account the Alternative Minimum Tax (AMT), while the regular tax allowance calculation does not.

The form for requesting a safety net request is available in the HR Kiosk under Your Taxes. You may submit a safety net request after the calendar year for which it is requested, and after you finalize your tax returns.

The safety net recalculation uses a prorated share of the actual itemized deductions, or, if applicable, the standard deduction, instead of the average deductions. The itemized deductions or standard deduction are prorated between the Bank income, the outside income, and the spouse's income. The portions attributable to the Bank income and to the spouse's income, if any, are used in the tax allowance recalculation. The AMT is also calculated similarly for safety net.

The Bank will pay any additional amount between the recalculated tax allowance and the amount actually received. (This additional money is taxable, and will be added to the total Bank pay for the current year.)

The Safety Net Form is shown on the next few pages.



Safety Net 2009 Form | Status and Calculation

Tax Year: UPI: Status: Confirmed

Name: Ext:

Federal

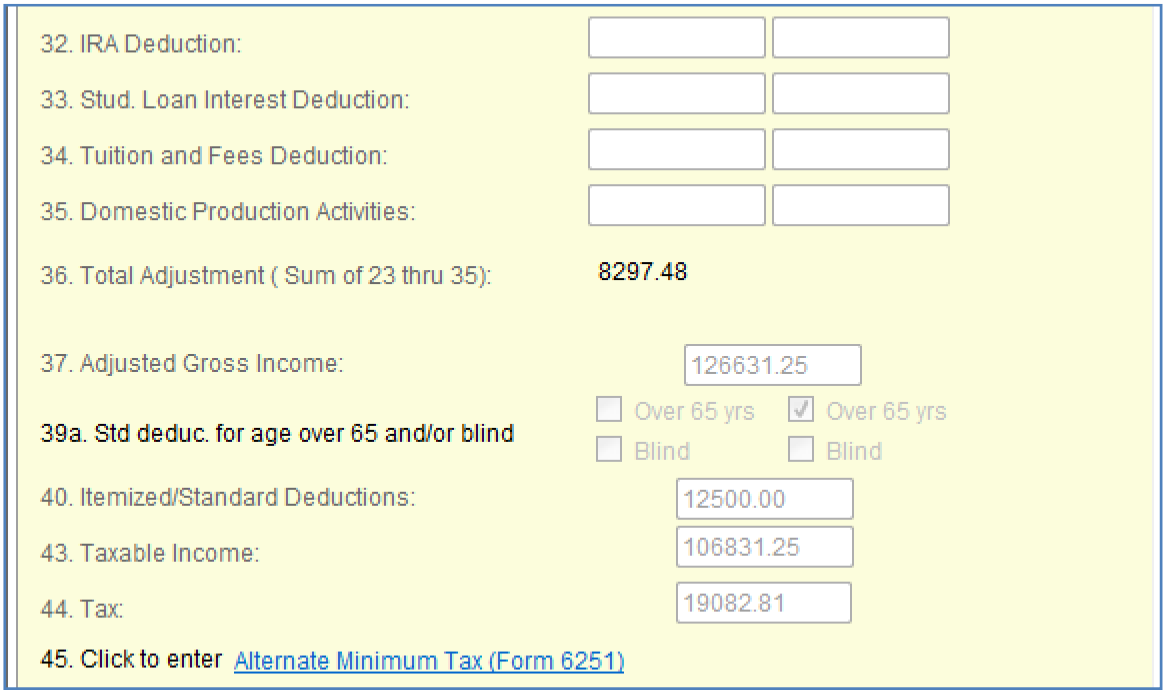
Form #: 1

Please specify Multiple or Single State/s

- Resided in more than one state or filed a part year state tax return during the tax year
- Resided in one State/No State — Please choose the State/No State: MD

Form 1040 line #	Staff	Spouse	Total
1-5. Filing Status	MJ		
6c(4). Number of children under 17:			
6d. Number of Federal Exemptions:	2		
7. Total Bank Wages (W-2 wages Net of 401k):	126538.45		126538.45
Total 401k Deduction:			
STT/ETT/ETC Wages net of 401k:			
401k Deduction for STT/ETT/ETC:			
7. Non Bank Wages:			
Non Bank SS wages from Box #3 of W2			
8a. Taxable Interest:	2215.37	54.91	2270.28
9a. Ordinary Dividends			
9b. Qualified Dividends			
10. Taxable Refunds:			
11. Alimony Received:			
12. Business Income/loss(Sch.C):			

13. Long Term Capital Gain Sub. to 5%/15%:			
13. Short-term Capital Gain/Loss:			
14. Other Gains/Losses:			
15b. Taxable IRA Distributions:			
16b. Taxable Pensions and Annuties:			
17. Sched. E income/loss - Subj to SE tax:			
17. Sched. E income/loss no SE Tax:			
18. Farm Income/Loss:			
19. Unemployment Compensation:			
20b. Taxable Social Security Benefits:		6120.00	6120.00
21. Total Forgn Earned Inc Exclusions:			
Non Bank Forgn Earned Inc Exclusions (New and Terminated Staff only)			
21. Other Income/Loss - Subj to SE tax:			
21. Other Income/Loss - not Subj to SE tax:			
22. Total Income:	128753.82	6174.91	
23. Educator Expenses:			
24. Certain Business Expenses:			
25. Health Savings Accnt. Deduction:			
26. Moving Expenses:			
27. SE 1/2 tax deduction:	8297.48		8297.48
28. SEP, SIMPLE & Qualified Plans:			
29. SE Health Insurance deduction:			
30. Penalty on early withdrawal of Savings:			
31a. Alimony Paid:			



32. IRA Deduction:	
33. Stud. Loan Interest Deduction:	
34. Tuition and Fees Deduction:	
35. Domestic Production Activities:	
36. Total Adjustment (Sum of 23 thru 35):	8297.48
37. Adjusted Gross Income:	126631.25
39a. Std deduc. for age over 65 and/or blind	☐ Over 65 yrs ☑ Over 65 yrs ☐ Blind ☐ Blind
40. Itemized/Standard Deductions:	12500.00
43. Taxable Income:	106831.25
44. Tax:	19082.81
45. Click to enter Alternate Minimum Tax (Form 6251)	

States

Please hit appropriate button to enter State/s information

Virginia | Maryland | DC | State Other Than VA/DC/MD

Please do not enter text longer than 1500 characters

Please read carefully the following affidavit before you submit this form.

I certify that the information set forth above and the copies of the Federal and State Tax Returns are true and correct and that I have filed or will file my Federal and State Tax Returns using the same information. I further certify that if an amended return is filed or an adjustment is made in my taxes by the tax authorities, I will immediately inform the Bank.

I understand that the Bank Group reserves the right to request from the IRS or state tax authorities tax information, including copies of actual filed tax returns. Upon request of the Tax Section or internal Bank Group auditors, I understand that I am obliged to sign IRS Form 8821 and corresponding state forms granting the Bank Group access to the desired information. Only data or forms necessary to verify the information provided in tax allowance applications or to authenticate the copies of tax returns furnished by the staff member will be requested from the IRS or state tax authorities.

On the basis of the information furnished, I hereby apply for re-computation of the Tax Allowance paid by the Bank Group for Federal, State and local income taxes and the payment of any additional tax allowance due to me.

Save as Draft | Submit Form

Tax Year: UPI: Status: Confirmed

Name:

State - Maryland View All First 1 of 1 Last

Form # 1

County: MG

	Staff	Spouse	Total
Filing Status	MJ		
Number of State Exemptions	3		
Senior Dependants other than Staff and Spouse			

Form 502
Line #

	Staff	Spouse	Total
Staff Federal AGI	120456.34	6174.91	
5. Other State Adjustments - Code a only (For MD Part Year Only)			
6. Total Additions to MD income			
9. Child and Dependant Care Expenses			
13. Income received during period of Non - Residency (For MD Part Year Only)			
14. MD College Plans (Code X)			
15. Subtotal Subtraction		6120.00	6120.00
16. Two - Income Subtraction			
18. MD Adjusted Gross Income	120511.25		
19. Itemized /Standard Deduction	4000.00		

OK Cancel

VI. Examples

This section of the workbook shows how the tax allowance works in different situations. The following examples give profiles of two staff members, and then show how their tax allowances are calculated. The examples also compare the tax allowances they receive to the taxes they owe and explain the reasons for any differences.

These examples are intended to show how the tax allowance calculations work. They may or may not match your personal situation. As you know, tax rates differ for each of the filing statuses. Therefore, you should focus on the example for your filing status.

Click here if your filing status is single.

Click here if your filing status is married, joint with spouse income.

"Married filing separately" status is used by the Bank to calculate tax allowances for staff on an exceptional basis only. Examples of exceptions would include legal separation, etc.

Note: The examples on the following pages are based on 2009 tax rates.

Example 1: Single Filing Status

Staff profile

Net salary:	$56,956.30 per year
Marital status:	Single
Dependents:	None
Itemized deductions:	None

1.	Net salary		$ 56,956.30	
	MIP Payments		-1,140.00	
	Other taxable net benefits		2,617.56	
	Net Salary plus Other Taxable Benefits		$ 58,433.86	
2.	Based on single filing status, one personal exemption, average itemized deductions, and VA taxes, the system calculates:			
	Net salary and other taxable benefits		$ 58,433.86	
	Plus federal tax allowance	+	9,399.39	
	Plus State tax allowance	+	3,116.85	
	Plus Bank's share of Soc. Sec. Taxes *	+	5,393.50	
	Equals gross salary		$ 76,343.60	
3.	Gross salary		$ 76,343.60	
	Minus net salary and other taxable benefits	-	58,433.86	
	Minus Bank's Soc. Sec. Payment	-	5,393.50	
	Equals tax allowance for federal and state income taxes		$ 12,516.24	
4.	Tax Allowance		$ 12,516.24	
	Minus taxes actually owed based on Safety Net calculation	-	15,183.69	
	Equals shortfall -- Staff must add money to pay taxes		(2,667.45) (A)	
5.	Reason: average itemized deductions on gross salary are higher than actual deductions (amounts include calculated VA tax)		**Average itemized deductions**	**Actual itemized deductions**
	Federal		$14,452.53	$5,700.00
	VA		$11,335.68	$3,000.00

*$76,343.60. x .9235 x 7.65%

(A) The "safety net" would cover the shortfall on Bank wages if a safety net request for recalculation is filed. See next pages for Safety Net Statement and details.

Example 2: Married – Joint Filing Status (with spouse income)

Staff profile	
Net salary:	$90,609.96 per year
Marital status:	Married
Dependents:	Two children
Children qualifying for Child Tax Credit:	None
Spouse's income:	$36,777.00 gross per year
Itemized deductions:	Mortgage interest, real estate taxes, Va. income tax, charitable contributions

1.	Net salary and other taxable benefits		$90,609.96	
	MIP Payments	-	2,064.00	
	Other taxable benefits	+	1,795.19	
	Equals taxable net salary		$90,341.15	
2.	Spouse's gross salary		$36,777.00	
	Minus taxes per tax allowance calculation	-	4,521.85	
	Equals spouse net salary		$34,877.78	
3.	Staff's net salary and other taxable benefits		$90,341.15	
	Plus spouse's net salary	+	32,255.15	
	Equals combined net income		$122,596.30	
4.	Based on married filing jointly status, four personal exemptions, average itemized deductions, no child tax credits and VA taxes, the system calculates:			
	Combined net income		$122,596.30	
	Plus combined federal tax	+	19,134.31	
	Plus combined state tax	+	9,515.55	
	Plus Bank's share of Soc. Sec. Taxes*	+	8,255.40	
	Equals combined gross income		$159,501.56	
5.	Combined taxes based on tax allowance calculation		$28,649.86	
	Minus spouse's share of taxes	-	4,521.85	
	Equals tax allowance		$24,128.01	
6.	Tax Allowance (federal & state income taxes)		$24,128.01	
	Minus taxes actually owed based Safety Net calculation	-	25,595.59	
	Equals – excess (Safety Net Payment)		$(1,467.58)	
7.	Reason: average itemized deductions on combined gross salary are higher than the higher of actual deductions taken for mortgage and real estate taxes (amounts include calculated VA tax) or standard deduction		**Average itemized deductions**	**Actual itemized deductions**
	Federal		$28,894.10	$21,971.77
	State		$19,378.55	$7,680.00
	*$106,800. x 6.20%=$6,621.60 $112,676. x 1.45%=$1,633.80			

Key Terms

Actual itemized deductions – Specific amounts that the staff member claims as deductions from income on the tax return. The most common itemized deductions include interest on a mortgage, state and local income taxes (federal return only), real estate taxes, and charitable contributions.

Average itemized deductions – The average deductions taken by taxpayers nationwide who have the same income level. The Bank's figures are based on IRS data which are usually three years old. They are adjusted annually for any changes in tax laws that have occurred since the data were collected.

Bank Form 70 – The form completed each year to provide the personal information necessary to calculate the tax allowance (e.g., filing status, number of exemptions, spouse income).

Dependency allowance – The allowance received from the Bank for each family member who qualifies as a dependent under the Bank's rules for eligibility.

Dependent – For income tax purposes, a qualifying child or relative who meets the three IRS qualification tests:

1) Dependent taxpayer test (cannot be claimed by another person)
2) Joint return test (generally a married person cannot be a dependent if he or she files a joint return);
3) Citizen or resident test (U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico, for some part of the year), with exception for adopted child who lives with you.

These tests are subject to changes and are explained in detail in IRS Publication 501 at www.irs.gov

Earned Income – Wages, salary, other employee compensation and income from self-employment.

Exemption – A taxpayer gets a personal exemption for yourself, one for the spouse (if married), one for each dependent child, and one for anyone else who qualifies as a dependent (such as an elderly parent whom the taxpayer supports). The amount of each personal exemption is on Form 1040. The federal exemption amount is adjusted annually for inflation. The personal exemptions allowed by states are slightly different.

Filing status – The category of tax rates used (depending on the circumstances) when the tax return is filed -i.e., single, head of household, married filing jointly or married filing separately.

Gross salary – The gross pay the Bank calculates after adding the tax allowance plus the net salary, dependency allowances, other taxable amounts, and the Bank's share of Social Security and Medicare taxes.

IRS Form 1040 ES – Includes a worksheet which may be used to estimate the federal income taxes for the coming year and thereby determine the quarterly tax payments that must be made. Also includes coupons to send with each quarterly tax payment. Each of the local jurisdictions -the District of Columbia, Maryland and Virginia -has a similar worksheet and coupons.

IRS Form W-2 – The form that reports the gross income of employees to the IRS.

Net salary – The base pay received from the Bank.

Safety Net – A recalculation of the tax allowance based on the actual itemized deductions and on the alternative minimum tax liability (which is not included in quarterly tax allowance), if any. This may or may not provide an additional payment.

Social Security taxes – The amount paid toward future retirement benefits from the Social Security system. As an employee of an international organization, you pay Social Security taxes at the self-employed rate even though you are not self-employed.

Standard deduction – A specific amount that may be subtracted from the adjusted gross income before taxes are calculated. The standard deduction or your itemized deductions are, also, allowed to be subtracted.

Taxable income – The amount of income on which taxes must be paid, after subtracting exemptions, itemized deductions or the standard deduction, and other adjustments to income. Taxable income can be more than just the Bank salary. It also includes such things as dividends and interest earned on savings.

Tax allowance – An amount provided by the Bank to assist in paying federal, state and local taxes and the Bank's share of self-employment taxes.

Total Bank pay – The net salary plus any dependency allowances and the Bank's share of Social Security taxes. It can also include other taxable payments, such as overtime pay, the value of some Bank life insurance over $50,000, relocation grants, the cost of spouse trips financed through "points," and termination grants or accumulated annual leave paid upon termination.