

## Frequently Asked Questions – 6

### 2009 UAW-GM Special Attrition Program

#### Vehicle Voucher – Taxation issues

The following questions and answers reflect modifications to payroll tax questions associated with vehicle vouchers granted under the 2009 UAW-GM Special Attrition Program. These changes are a result of tax law requirements. Employees had been informed that they would receive a \$25,000 voucher with no taxes withheld and the taxes would be paid by the employee when he/she files their tax return in the following year. That is not permissible by the IRS. Therefore, the employee will have taxes taken out of the \$25,000 voucher (tax withholding), the remainder (\$15,500) will be available to the employee to purchase a new vehicle and the withholding taxes will have been paid. If the voucher is never applied for and issued, there will be no tax liability. The employee was always going to be responsible for taxes on the voucher. Now there will be no large tax bill at the end of the tax year.

The answers previously provided in the Frequently Asked Questions for the 2009 UAW-GM Special Attrition Program that relate to tax withholding and reporting are superseded by the Q & A's noted below.

All employees should be notified that the vehicle voucher will be taxed in the year in which the voucher is applied for and issued regardless of when the voucher may be used.

Q1: When will the \$25,000 vehicle voucher be taxed?

A1: The voucher will be taxed at the time the voucher is applied for and issued during the 18 month eligibility period.

Q2: What impact will tax withholding have on the value of the voucher?

A2: The tax withholding will be subtracted from the value of the voucher when it is applied for and issued. For example, the \$25,000 voucher will be reduced to satisfy the tax withholding obligations (Federal, FICA, state and local) which we estimate to be \$9,500, resulting in a net value of \$15,500 that may be applied to the purchase of a new vehicle. These amounts will be reported on your Form W-2 for the year the voucher is applied for and issued.

Q3: What is the approximate impact to the value of the vehicle voucher when taxed?

A3: As mentioned above, the tax impact for an employee using the entire \$25,000 is \$9,500 (Federal, FICA, state and local) resulting in a vehicle voucher with a net value of \$15,500.

Q4: Can more than one vehicle be purchased using the vehicle voucher?

A4: Yes. You may purchase up to 5 vehicles using the voucher in \$3,100 increments. We have determined that the net value of the vouchers, after required tax withholdings, will be \$15,500.

Q5: How are the tax implications different than what has been previously communicated?

A5: Our prior communication indicated that the vehicle voucher would have been taxed at the end of the year in which the voucher was issued. This approach would have resulted in a tax bill to each employee of approximately \$9,500. The employee would have been responsible for the tax payments (and possible tax penalties) when filing their tax returns for the year. Under the new process, there will be no large tax bills to be paid because taxes will be withheld at the time the employee applies for the voucher.

Q6: Might I still owe some taxes when I file my tax returns for the year?

A6: Based on your individual tax situation, you may receive a refund or owe additional taxes when you file your tax returns for the year.

Q7: If I never apply for the voucher, will I still have to pay taxes on it?

A7: No.

Q8: If I only use a part of the voucher will I be taxed on the whole amount?

A8: No. You will only be taxed on what you apply for.

Q9: Why am I paying taxes now when I wasn't before?

A9: You were always going to be taxed. The original Q & A showed a tax bill at the end of the year the voucher was applied for and issued. The tax liability was always the employee's responsibility. Now the

taxes are being withheld when the voucher is applied for so there will not be a large tax bill at the end creating an unplanned large expense for the employee.

Q10: What about the \$20,000 cash I will receive?

A10: It will be taxed and the remaining funds distributed at the time the employee quits or retires. That is separate from the transaction with the voucher.

Q11: Hasn't the company lowered the value of the Special Attrition Program by the taxation of the voucher?

A11: No. The value is still the same.

Example:

|                            | Before Change No Taxes Withheld | New with Taxes Withheld |
|----------------------------|---------------------------------|-------------------------|
| Cash                       | \$20,000                        | \$20,000                |
| Taxes Withheld (example)   | 7,500                           | 7,500                   |
| Net Cash                   | \$12,500                        | \$12,500                |
| Voucher                    | \$25,000                        | \$25,000                |
| Taxes Withheld             | -0-                             | 9,500                   |
| Net Voucher                | \$25,000                        | \$15,500                |
| Tax Bill at End of year    | 9,500                           | -0-                     |
| Total Net Cash And Voucher | \$28,000                        | \$28,000                |

**IT IS THE SAME!!!**

This is just an example. The withholding on the cash will be different for every person.