

## Survivor Tax Information shared by Kathryn Hill

and made available by the PCN. 7-5-2023

Tax liability for Delta Survivor Benefits? Since 1972 it been treated as an insurance payout free of tax liability and as of now no liability should be realized because all funding for Trust complies with Section 101(a) and the D & S Plan Trust itself is a Section 501(c)(9) trust. Further all benefits are distributed and paid out of that Trust.

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**Subject:** FW: Taxability of Delta Survivorship Benefits - Attached Delta letter  
**Attachments:** ESC survivor letter-redacted.PDF  
**Importance:** High

There has been some information that has come to light recently about the Delta "Survivorship Benefit" perhaps NOT being taxable due to being treated as "insurance." A widow I have learned about recently received a letter from the Delta ESC to that effect (attached.) Officially, Delta does not take a position. However I have learned that from 1972 until 1992 they did not even send out a 1099. Then there was evidently a court case that dictated that the benefit was taxable. Delta did not ask for a broad ruling, but seemed to disagree, and since that time, has been sending out 1099's, but in the block as to how much is taxable, they leave that blank, to be "determined" by the recipient. As mentioned, they have suggested to at least one widow recently that they feel the benefit is NOT taxable, but they are clearly reluctant to make a general statement to that effect, or to take a case to court given the expense. Some widows have been filing taxes showing the D&S Plan Survivorship Benefit as NON-taxable income, and have had no problems. Another widow is in a current controversy with the IRS, but they have apparently agreed that the benefit is "probably not taxable."

Second page is a letter from Delta on this tax issue.

Delta Employee Service Center  
P. O. Box 52175  
Phoenix, AZ 85072



**Summary of Benefits**

Date Produced: **December 2, 2014**

Employee Service Center:

1-800 MY DELTA (1-800-693-3582)

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Dear

The monthly survivor income benefits which you receive from the Delta Pilots/Family-Care Disability and Survivorship Plan are paid through a trust which is **exempt under Section 501(c)(9) of the Internal Revenue Code of 1954**. The contributions to the trust are made entirely by Delta and they are actuarially determined in accordance with risk distribution and risk sharing principles.

Because the Plan's trust is funded in accordance with insurance principals, there are a number of cases which hold that the proceeds from the trust may be treated as proceeds of life insurance for income tax purposes. Such proceeds are not taxed pursuant to Section 101(a) of the code. Although there is no official IRS ruling on the taxability of your benefits, the IRS has agreed that the proceeds are not taxable in several individual cases. Therefore, no W-4P forms are sent to recipients of this Plan.

At the end of the year participants that receive payments from the D&S Trust are sent 1099-R's. This 1099-R will indicate the amount of the benefit that is taxable.

The Plan does not provide information regarding taxability of benefits. If you should have any questions regarding tax liability of your monthly survivor benefit, and how it may affect your income tax planning, please seek the advice of your income tax advisor.

Sincerely,

The Employee Service Center

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**If You Have Questions**

For further information, you may contact a Customer Service Representative at the Employee Service Center (ESC) at 1-800 MY DELTA (1-800-693-3582), Monday – Friday 8 a.m. to 5 p.m., Eastern Time, except on certain holidays.

**Important Note**

Whenever you access Benefits Direct, or speak with a Representative at the Employee Service Center to initiate certain transactions, including, without limitation, transactions that may require deductions from your paycheck and/or benefit payments, you will be authorizing the execution of any such requested transactions as if you had given written, signed authorization to do so. While we attempt to make Benefits Direct available 24 hours a day, occasionally it may be unavailable or it may not be possible to execute transactions for other reasons. Delta Air Lines, Inc, any applicable employee benefit plan and their respective agents are not responsible for losses and/or damages that arise because transactions