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December 15, 2010

Jim Munton
1132 Shady Run Terrace
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Dear Jim:

Over the past several weeks, I have spent a significant amount of time researching the tax implications of the distributions made by Delta Air Lines during the year 2007 with respect to both the qualified and non-qualified pension plans.

Delta reported those distributions on W-2 forms, reporting those distributions as wages.

It was my initial thought that there should be no differences between the tax treatment afforded the distributions related to the Medical Plan and the distributions related to these pension plans.

However, upon completion of my research, I have changed my mind.

Upon completing my research, I met with a Certified Financial Planner with whom I do quite a bit of work. I posed only one question: can we get around the ordinary income treatment for these distributions? The response from that firm was consistent with what I found in doing this research.

The tax treatment for the distributions for both the qualified and non-qualified pension plans is that those amounts are reportable as ordinary income. Delta might not have used the correct form to report those distributions, but the use of the wrong form is the only thing I think can be argued. And, if the correct form was used, the tax treatment would be precisely the same as the tax treatment for the distributions reported on a W-2 form. Note that there was no withholding of either Social Security or Medicare on these distributions, only the withholding of income taxes. Conclusion: there is no issue on these distributions.

I think we should limit the amended tax returns to the distributions related to the Medical plan.

Let me know if you have any questions.

Sincerely,

William R Whalen

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