

Instructions for Form CT-1

Employer's Annual Railroad Retirement Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

A Change To Note

New electronic deposit requirement. The threshold after which you must make electronic tax deposits has been increased from \$50,000 to \$200,000. All Federal tax deposits (such as deposits for employment, excise, and corporate income taxes) are combined to determine whether you exceeded the \$200,000 threshold. See Part II of Form CT-1 and the **Electronic deposit requirement** on page 3 of these instructions.

Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling **1-800-THE-LOST** (1-800-843-5678) if you recognize a child.

General Instructions

Purpose of Form

Use this form to report taxes imposed by the Railroad Retirement Tax Act (RRTA).

Who Must File

File Form CT-1 if you paid one or more employees compensation subject to RRTA.

An employer that pays sick pay or a third-party payer of sick pay that is subject to Tier I railroad retirement and Medicare taxes must file Form CT-1. See **Pub. 15-A**, Employer's Supplemental Tax Guide, for details. However, see the exceptions under the definition of compensation below. Report sick pay payments on lines 11 through 14 of Form CT-1.

Disregarded Entities and Qualified Subchapter S Subsidiaries

Form CT-1 taxes for employees of a qualified subchapter S subsidiary (QSub) or an entity disregarded as an entity separate from its owner under Regulations section 301.7701-2(c)(2) may be reported and paid either

- By its owner (as if the employees of the disregarded entity are employed directly by the owner) using the owner's name and taxpayer identification number (TIN) or
- By each entity recognized as a separate entity under state law using the entity's own name and TIN.

If the second method is chosen, the owner retains responsibility for the employment tax obligations of the disregarded entity.

For more information, see Notice 99-6, 1999-3 I.R.B. 12.

Where To File

Send Form CT-1 to:

Internal Revenue Service Center
Kansas City, MO 64999

When To File

File Form CT-1 by February 29, 2000.

Definitions

Employer and employee. The terms "employer" and "employee" used in these instructions are defined in section 3231 and in its regulations.

Compensation. Compensation means payment in money, or in something that may be used instead of money, for services performed as an employee of one or more employers. It includes payment for time lost as an employee.

Group-term life insurance. Include in compensation the cost of group-term life insurance over \$50,000 you provide to an employee. This amount is subject to Tier I, Tier I Medicare, and Tier II taxes, but not to Federal income tax withholding. Include this amount on your employee's **Form W-2**, Wage and Tax Statement.

Former employees for whom you paid the cost of group-term life insurance over \$50,000 must pay the employee's share of these taxes with their Form 1040. You are not required to collect those taxes. For former employees, you must include on Form W-2 the part of compensation that consists of payments for group-term life insurance over \$50,000 and the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service.

See Pub. 15-A for more information.

Timing. Compensation is considered paid when it is actually paid or when it is constructively paid. It is constructively paid when it is set apart for the employee or credited to an account the employee can control without any limit or condition on how and when the payment is to be made.

Any compensation paid during the current year that was earned in the prior year is taxable at the current year's tax rates, and you must include the compensation with the current year's compensation on lines 5 through 14 of Form CT-1, as appropriate.

Exceptions. Compensation does **not** include:

- Any benefit provided to or on behalf of an employee if at the time the benefit is provided it is reasonable to believe the employee can exclude such benefit from income. For information on what benefits are excludable, see Pub. 15-A. Examples of this type of benefit include:

1. Certain employee achievement awards under section 74(c),
2. Certain scholarship and fellowship grants under section 117,
3. Certain fringe benefits under section 132, and
4. Employer payments to a medical savings account under section 220.

- Payments made to or on behalf of an employee or dependents under a sickness or accident disability plan or a medical or hospitalization plan in connection with sickness or accident disability. This applies to Tier II and supplemental annuity work-hour taxes only.

Note: For purposes of employee and employer Tier I taxes, compensation does not include sickness or accident disability payments made—

1. Under a workers' compensation law,
2. Under section 2(a) of the Railroad Unemployment Insurance Act for days of sickness due to on-the-job injury,
3. Under the Railroad Retirement Act, or
4. More than 6 months after the calendar month the employee last worked.

- Payments made specifically for traveling or other bona fide and necessary expenses that meet the rules in the regulations under section 62.
- Payments for service performed by a nonresident alien temporarily present in the United States as a nonimmigrant under subparagraphs (F), (J), (M), or (Q) of the Immigration and Nationality Act.
- Compensation under \$25 earned in any month by an employee in the service of a local lodge or division of a railway-labor-organization employer.

Employer and Employee Taxes

Tax Rates and Compensation Bases

Tax Rates	Compensation Paid in 1999
Tier I	
Employer and Employee: Each pay 6.2% of first ...	\$72,600
Tier I Medicare	
Employer and Employee: Each pay 1.45% of	All
Tier II	
Employer: Pays 16.1% of first	\$53,700
Employee: Pays 4.9% of first	\$53,700

Supplemental annuity work-hour tax rate. The supplemental annuity work-hour tax rate is 27 cents for 1999.

Employer taxes. Employers must pay Tier I, Tier II, and supplemental annuity work-hour taxes. Tier I tax is divided into two parts. The amount of compensation subject to each tax is different. See the table above for the tax rates and compensation bases.

For information on the special supplemental annuity tax, see the line 2 instructions on page 5.

Employee taxes. You must withhold the employee's part of Tier I and Tier II taxes. See the table above for the tax rates and compensation bases. See **Tips** below for information on the employee tax on tips.

Withholding or payment of employee tax by employer.

You must collect the employee railroad retirement tax from each employee by deducting it from the compensation on which employee tax is charged. If you do not withhold the employee tax, you must pay the tax. If you withhold too much or too little tax because you cannot determine the correct amount, correct the amount withheld by an adjustment, credit, or refund according to the regulations relating to the RRTA.

If you pay the railroad retirement tax for your employee rather than withholding it, see Rev. Proc. 83-43, 1983-1 C.B. 778, for information on how to figure and report the proper amounts.

Concurrent employment. If two or more related corporations that are rail employers employ the same individual **at the same time** and pay that individual through a common paymaster, which is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement and Medicare taxes than a single employer would. See Regulations section 31.3121(s)-1 for more information.

Successor employers. Successor employers should see section 3231(e)(2)(C) and **Circular E**, Employer's Tax Guide (Pub. 15), to see if they can use the predecessor's compensation paid against the maximum compensation bases.

Tips. An employee who receives tips must report them to you by the 10th of the month following the month the tips are received. Tips must be reported for every month regardless of the total of compensation and tips for the month. However, an employee is not required to report tips for any month in which the tips are less than \$20.

An employee must furnish you with a written statement of tips, signed by the employee, showing (a) his or her name, address, and social security number, (b) your name and address, (c) the month or period for which the statement is furnished, and (d) the total amount of tips. **Pub. 1244**, Employee's Daily Record of Tips and Report to Employer, a booklet for daily entry of tips and forms to report tips to employers, may be obtained from the IRS.

Tips are considered to be paid at the time the employee reports them to you. You must collect both income tax and employee railroad retirement tax on tips reported to you from the employee's compensation (after deduction of employee railroad retirement and income tax) or from other funds the employee makes available. Apply the compensation or other funds first to the railroad retirement tax and then to income tax. You do not have to pay the employer railroad retirement taxes on tips.

Stop collecting the 6.2% Tier I employee tax when the employee's wages and tips reach the maximum for the year (\$72,600 for 1999). However, your liability for Tier I employer tax on compensation continues until the compensation, not including tips, totals \$72,600 for the year.

If, by the 10th of the month after the month you received an employee's tip income report, you do not have enough employee funds available to deduct the employee tax, you no longer have to collect it.

Depositing Taxes

For Tier I and Tier II taxes, you are either a monthly schedule depositor or a semiweekly schedule depositor. There are also two special rules explained later—the **\$1,000 rule** and the **\$100,000 next-day deposit rule**. The terms "monthly schedule depositor" and "semiweekly schedule depositor" do not refer to how often your business pays its employees, or even how often you are required to make deposits. The terms identify which set of rules you must follow when a tax liability arises (when you have a payday).

Before each year begins, you must determine which deposit schedule to follow. Your deposit schedule for the year is determined from the total Form CT-1 taxes reported for the lookback period.

Lookback period. Which deposit schedule you must follow for depositing Tier I and Tier II taxes for a calendar year is determined from the total taxes reported on your Form CT-1 for a calendar year lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for calendar year 2000 is calendar year 1998.

Use the table below to determine which deposit schedule to follow for the current year.

IF you reported taxes for the lookback period of...	THEN you are a...
\$50,000 or less	Monthly schedule depositor
More than \$50,000	Semiweekly schedule depositor

New employer. If you are a new employer, your taxes for the lookback period are considered to be zero for the first calendar year of your business. Therefore, you are a monthly schedule depositor for the first year of business.

Example. Employer A reported Form CT-1 taxes as follows:

- 1998 Form CT-1—\$49,000
- 1999 Form CT-1—\$52,000

Employer A is a monthly schedule depositor for 2000 because its Form CT-1 taxes for its lookback period (calendar year 1998) was not more than \$50,000. However, for 2001, Employer A is a semiweekly schedule depositor because A's taxes exceeded \$50,000 for its lookback period (calendar year 1999).

Adjustments and the lookback rule. To determine your Form CT-1 taxes for the lookback period, use only the Form CT-1 taxes you reported on your original return. If you made adjustments to correct errors on previously filed Forms CT-1, these adjustments do not affect the amount of the Form CT-1 taxes for purposes of the lookback rule. If you report

adjustments on your current Form CT-1 to correct errors on prior year returns, include these adjustments as part of your Form CT-1 taxes for the current year. If you filed **Form 843**, Claim for Refund and Request for Abatement, to claim a refund for a prior year overpayment, your Form CT-1 taxes do not change for either the prior year or the current year for purposes of the lookback rule.

Example of adjustments and the lookback rule. Employer B originally reported Form CT-1 taxes of \$45,000 for the lookback period (1998). B discovered in March 2000 that the tax during the lookback period was understated by \$10,000 and corrected this error with an adjustment on the 2000 Form CT-1. B is a monthly schedule depositor for 2000 because the lookback period Form CT-1 taxes are based on the amount originally reported, which was not more than \$50,000. The \$10,000 adjustment is treated as part of the 2000 Form CT-1 taxes.

When to deposit. If you are a **monthly schedule depositor**, deposit employer and employee Tier I and Tier II taxes accumulated during a calendar month by the 15th day of the following month.

If you are a **semiweekly schedule depositor**, use the table below to determine when to make deposits.

Deposit Tier I and Tier II taxes for payments made on...	No later than...
Wednesday, Thursday, and/or Friday	The following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	The following Friday

The end of the calendar year always ends a semiweekly deposit period and begins a new one. For example, the 2000 calendar year ends on Sunday. Taxes accumulated on the preceding Saturday and on Sunday are subject to one deposit obligation and taxes accumulated on Monday and Tuesday (January 1 and 2, 2001) are subject to a separate deposit obligation.

Deposits on banking days only. If a deposit is required to be made on a day that is not a banking day, it is considered timely if it is made by the close of the next banking day. In addition to Federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required to be made on Friday and Friday is not a banking day, the deposit will be considered timely if it is made by the following Monday (if Monday is a banking day).

Semiweekly schedule depositors will always have at least 3 banking days to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a banking holiday, you have one additional day to deposit. For example, if you have Form CT-1 taxes accumulated for payments made on Friday and the following Monday is not a banking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

Example of a monthly schedule depositor. Employer C is a monthly schedule depositor with seasonal employees. C paid wages each Friday during February but did not pay any wages during March. Under the monthly schedule deposit rule, C must deposit the combined taxes for the February paydays by March 15. C does not have a deposit requirement for March (due by April 15) because no wages were paid and, therefore, it did not have a tax liability for the month.

Example of a semiweekly schedule depositor. Employer D, a semiweekly schedule depositor, pays wages on the last Saturday of each month. Although D is a semiweekly schedule depositor, it will deposit just once a month because it pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: D's taxes for the January 29, 2000 (Saturday) payday must be deposited by February 4, 2000 (Friday). Under the semiweekly deposit rule, taxes arising on Saturday through Tuesday must be deposited by the following Friday.

Exceptions. Two exceptions apply to the above deposit rules, the

- \$1,000 rule and
- \$100,000 next-day deposit rule.

\$1,000 rule. If your total Form CT-1 taxes for the year are less than \$1,000, no deposits are required. You may pay this tax with Form CT-1. However, if you are unsure that you will accumulate less than \$1,000, deposit under the appropriate deposit rules so that you will not be subject to deposit penalties.

\$100,000 next-day deposit rule. If you accumulate taxes of \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next banking day regardless of whether you are a monthly or semiweekly schedule depositor.

If you are a **monthly schedule depositor**, and you accumulate \$100,000 on any one day during the month, you become a semiweekly schedule depositor for the remainder of the calendar year and for the following year.

For a **monthly schedule depositor** the deposit period is a calendar month. The deposit periods for a **semiweekly schedule depositor** are Wednesday through Friday and Saturday through Tuesday. For purposes of the \$100,000 next-day deposit rule, do not continue accumulating taxes after the end of a deposit period.

Once a **semiweekly schedule depositor** accumulates \$100,000 in a deposit period, it must stop accumulating at the end of that day and begin to accumulate anew on the next day. The following example explains this rule.

Example of \$100,000 next-day deposit rule. Employer E is a semiweekly schedule depositor. On Monday, Employer E accumulates taxes of \$110,000 and must deposit this amount by Tuesday, the next banking day. On Tuesday, Employer E accumulates additional taxes of \$30,000. Because the \$30,000 is not added to the previous \$110,000, Employer E must deposit the \$30,000 by Friday following the semiweekly deposit schedule.

Example of \$100,000 next-day deposit rule during the first year of business. Employer F started its business on January 31, 2000. Because this was the first year of its business, its Form CT-1 taxes for its lookback period are considered to be zero, and it is a monthly schedule depositor. On February 4, it paid compensation for the first time and accumulated taxes of \$40,000. On February 11, Employer F paid compensation and accumulated taxes of \$60,000, bringing its total accumulated (undeposited) taxes to \$100,000. Because Employer F accumulated \$100,000 on February 11 (Friday), it must deposit the \$100,000 by February 14 (Monday), the next banking day. It became a semiweekly schedule depositor on February 12. It will be a semiweekly schedule depositor for the rest of 2000 and for 2001.

Example of when \$100,000 next-day deposit rule does not apply. Employer G, a semiweekly schedule depositor, accumulated taxes of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated \$10,000 on Wednesday (of a Wednesday-through-Friday deposit period). Because the \$10,000 was accumulated in a deposit period different from the one in which the \$95,000 was accumulated, the \$100,000 next-day deposit rule does not apply. Thus, Employer G must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

Accuracy of deposits rule. You are required to deposit 100% of your railroad retirement taxes on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if **both** of the following conditions are met:

1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited and

2. The deposit shortfall is paid or deposited by the shortfall makeup date as described below.

• **Monthly schedule depositor.** Deposit the shortfall or pay it with your return by the due date of Form CT-1. You may pay the shortfall with Form CT-1 even if the amount is \$1,000 or more.

• **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of the first Wednesday or Friday that comes on or

after the 15th of the month following the month in which the shortfall occurred or, if earlier, the due date of Form CT-1. For example, if a semiweekly schedule depositor has a deposit shortfall during January 2000, the shortfall makeup date is February 16, 2000 (Wednesday).

Supplemental annuity work-hour tax. Deposit supplemental annuity work-hour tax accumulated during a month by the first date after the 15th day of the following month on which Form CT-1 taxes are otherwise required to be deposited. For example, Employer X accumulates supplemental annuity work-hour tax for February. The supplemental annuity work-hour tax must be deposited the next time Form CT-1 taxes are required to be deposited after March 15. For a monthly schedule depositor, this would be April 15.

Special supplemental annuity tax. The Railroad Retirement Board will notify you each quarter of the amount of special supplemental annuity tax. Deposit the special supplemental annuity tax by the last day of the second month after the month the quarter ended.

How to make deposits. In general, you must deposit railroad retirement taxes with an authorized financial institution or a Federal Reserve bank. If you are not making electronic deposits (explained below), use **Form 8109**, Federal Tax Deposit Coupon, with each deposit to indicate the type of tax deposited. To avoid a possible penalty, do not mail your deposit directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

Electronic deposit requirement. You must make electronic deposits of all depository tax liabilities that occur after 1999 if the total of **all** your Federal tax deposits (such as deposits for employment tax, excise tax, and corporate income tax) in 1998 were more than \$200,000. If you are already depositing electronically but your deposits did not exceed \$200,000, you may continue to do so or you may deposit with Form 8109.

The **Electronic Federal Tax Payment System (EFTPS)** or **RRBLINK** must be used to make electronic deposits. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty.

Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS/RRBLINK. To enroll in EFTPS, call 1-800-555-4477 or 1-800-945-8400. For general information about EFTPS, call 1-800-829-1040. To enroll in RRBLINK, call 1-888-273-2265.

Depositing on time. For deposits made by EFTPS/RRBLINK to be on time, you must initiate the transaction at least one business day before the date the deposit is due.

Order in which deposits are applied. Generally, tax deposits are applied first to any past due undeposited amount, with the oldest liability satisfied first. However, to minimize a failure to deposit penalty, you may designate the period to which a deposit applies if you receive a penalty notice. You must respond within 90 days of the date of the notice. Follow the instructions on the notice you receive. See Rev. Proc. 99-10, 1999-2 C.B. 11, for more information.

Penalties and Interest

The law provides penalties for failure to file a return, late filing of a return, late payment of taxes, failure to make deposits, or late deposits unless reasonable cause is shown. If you are unavoidably late in doing any of these, send an explanation with Form CT-1. Interest is charged on taxes paid late at the rate set by law.

Trust fund recovery penalty. If taxes that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is 100% of such unpaid taxes. This penalty may apply to you if these unpaid taxes cannot be immediately collected from the employer or business. The trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, and paying over these taxes, and who acted willfully in not doing so. See Circular E for more details.

Specific Instructions

Final return. If you stop paying taxable compensation and will not have to file Form CT-1 in the future, you must file a final return and check the box at the top of the form under "1999."

Line 1. Supplemental Annuity Work-Hour Tax

The supplemental annuity work-hour tax rate is 27 cents for each employee work-hour. To figure the amount to enter on line 1 multiply 27 cents by:

- The actual hours of service performed by your employees in 1999 or
- The number of work-hours determined by using the **Safe-harbor method** described on page 5.

Note: To use the safe-harbor method for 1999, you must have made the election to use it with your timely filed 1998 Form CT-1.

You must report work-hours for which you compensate the employee that involve a time or mileage factor. See **Compensation paid on a mileage or piecework basis** below.

Exception. Employees covered by a supplemental pension plan established by a collective bargaining agreement between you and those employees are exempt from the supplemental annuity work-hour tax. See the line 2 instructions on page 5.

Work-hours. Work-hours include time actually worked (including overtime); time paid for vacations and holidays; time (but not cash payments) allowed for meals; away-from-home terminal time; called and not used, runaround, and deadheading time; and time for attending court, investigations, and claim and safety meetings. All compensation paid as arbitraries or allowances independently of the rate and not specifically related to hours or miles, including vacation allowances based on compensation earned in the previous year, should be converted to hours by dividing by the appropriate hourly rate. Report:

- Hours representing payments to make up guarantees (other than weekly or monthly money guarantees) only if the payments are made for time not actually worked.
- Hours representing payments to make up weekly or monthly money guarantees only if the hours or days included in the assignments are not actually worked.
- Number of hours paid for overtime, regardless of the rate at which paid.

Generally, **do not report:**

- Hours representing medical expense reimbursements or payments for periods of absence from work due to sickness or accident disability.
- Hours representing payments made under arrangements that advance or reimburse to employees their business and away-from-home traveling expenses if fully accounted for and substantiated. (See the regulations under section 62.)
- Travel expenses paid under a nonaccountable plan even though they are included in compensation.
- Tips, amounts representing bonuses, amounts received by the exercise of an employee stock option, or any separation or severance payments.

Determining number of hours included in daily, weekly, or monthly rates. If a collective bargaining agreement specifies the number of hours included in a rate, use that number.

Otherwise, report the number of hours the individual usually works even though on occasion the employee may work fewer or more hours. For example, an individual on an all-service rate who normally observes the office hours usually worked by employees generally would be reported at 8 hours per day, 5 days per week—or 174 hours per month. Unless otherwise provided in a collectively bargained rule, use 174 hours as the standard hourly factor for monthly rated employees.

Compensation paid on a mileage or piecework basis. Compensation not based on time (hour, day, month), such as compensation paid by the mile or by the piece, must be converted into the number of hours represented by the

compensation paid. If an employee is paid by the mile, 1 work-hour equals the number of miles in a workday, divided by 8 hours. For a collective bargaining agreement that specifies the number of hours in a workday, the number of hours specified in the agreement may be used instead of 8.

Safe-harbor method. Rather than figuring work-hours separately for each employee, you may choose to count the number of employees who received any compensation during the month and multiply that figure by 164 to determine the number of work-hours subject to the supplemental annuity work-hour tax for that month. Count each employee who is paid compensation during the month, even if the individual is part-time, temporary, or seasonal.

A terminated employee is counted in the month of termination (if the employee received compensation in that month), but not in any later month in which the employee does not perform services for the employer as an employee, even if the terminated employee is paid compensation in a later month. For example, an employee who receives compensation during the month of termination and receives a final paycheck the following month is counted as an employee for the month of termination but not for the following month.

If you are going to use the safe-harbor method for 2000, you must choose it by checking the box above line 1 on your timely filed 1999 Form CT-1. If you choose the safe-harbor method, you must use it for the entire year.

Line 2. Special Supplemental Annuity Tax

If you are exempt from the supplemental annuity work-hour tax on line 1 on some or all of your employees because they are covered by a supplemental pension plan established by a collective bargaining agreement, you are subject instead to a special supplemental annuity tax. The tax is equal to (1) the total supplemental annuities paid to those employees each year plus (2) a percentage for administrative costs. Each quarter the Railroad Retirement Board will notify you of the amount due on **Form G-241**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Annuity Tax Liabilities. Total the amounts on Forms G-241, and enter the total on line 2. Attach Forms G-241 to Form CT-1. Deposit the special supplemental annuity tax by the last day of the second month after the month the quarter ended.

Line 3. Adjustments to Supplemental Annuity Work-Hour Tax

You may take a credit on line 3 for the total monthly reduction of employee supplemental annuities under section 2(h)(2) of the Railroad Retirement Act of 1974. Each quarter the Railroad Retirement Board will furnish you with **Form G-245**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Tax Credits, showing your supplemental annuity work-hour tax credit. Total the amounts shown on Forms G-245, and enter the total on line 3. Attach a copy of each Form G-245 to Form CT-1. The credit cannot exceed the amount on line 1, and any excess cannot be claimed on line 16.

If the amount you enter on line 3 differs from the total amount shown on Forms G-245, attach an explanation to Form CT-1. Include the amounts from Forms G-245 in your explanation.



If you need to make changes to Forms G-245, you must first contact the Railroad Retirement Board at the following address: Chief of Employer Services and Training, Railroad Retirement Board, 844 Rush Street, Chicago, IL 60611.

Line 5. Tier I Employer Tax

Enter the compensation (other than tips and sick pay) subject to Tier I tax. Do not show more than \$72,600 per employee. Multiply by 6.2% and enter the result.

Line 6. Tier I Employer Medicare Tax

Enter the compensation (other than tips and sick pay) subject to Tier I Medicare tax. Multiply by 1.45% and enter the result.

Line 7. Tier II Employer Tax

Enter the compensation (other than tips) subject to Tier II tax. Do not show more than \$53,700 per employee. Multiply by 16.1% and enter the result.

Line 8. Tier I Employee Tax

Enter the compensation, including tips reported, subject to employee Tier I tax. Do not enter more than \$72,600 per employee. Multiply by 6.2% and enter the result.

Line 9. Tier I Employee Medicare Tax

Enter the compensation, including tips reported, subject to employee Tier I Medicare tax. Multiply by 1.45% and enter the result. For tips, see **Tips** on page 2.

Stop collecting the 6.2% Tier I employee tax when the employee's wages and tips reach the maximum for the year (\$72,600 for 1999). However, your liability for Tier I employer tax on compensation continues until the compensation, not including tips, totals \$72,600 for the year.

Line 10. Tier II Employee Tax

Enter the compensation, including tips reported, subject to Tier II employee tax. Only the first \$53,700 of the employee's compensation for 1999 is subject to this tax. Multiply by 4.9% and enter the result. For tips, see **Tips** on page 2.

Note: Any compensation paid during the current year that was earned in prior years (reported to the Railroad Retirement Board on **Form BA-4**, Report of Creditable Compensation Adjustments) is taxable at the current year tax rates. Include such compensation with current year compensation on lines 5 through 10, as appropriate.

Lines 11 Through 14. Tier I Taxes on Sick Pay

Enter the sick pay payments during the year subject to Tier I taxes and Tier I Medicare taxes. If you are a railroad employer paying your employees sick pay, or a third-party payer who did not notify the employer of the payments (thereby subject to the employee and employer tax), make entries on lines 11 through 14. If you are subject to only the employer or employee tax, complete only the applicable line. Multiply by the appropriate rate and enter the result.

Line 16. Adjustments to Taxes Based on Compensation

Use line 16 to show (a) corrections of underpayments or overpayments of taxes reported on prior year returns, (b) credits for overpayments of penalty or interest paid on tax for earlier years, and (c) a fractions of cents adjustment. (See **Fractions of cents** on page 6.) Do not include the 1998 overpayment that is applied to this year's return (this is included on line 19). If you are reporting both an addition and a subtraction, enter only the difference between the two on line 16. You cannot claim any excess credit from line 3 here. Enter:

1. Adjustments for sick pay and fractions of cents in their entry spaces,
2. The amount of all other adjustments in the "Other" entry space, and
3. The total of the three types of adjustments in the line 16 entry space to the right.

Explanation of line 16 adjustments. Except for adjustments for fractions of cents, explain amounts entered on line 16 in a statement. Attach a full sheet of paper that shows at the top your name, employer identification number, calendar year of the

return, and "Form CT-1." Include in the statement the following information:

1. An explanation of the item the adjustment is intended to correct showing the compensation subject to Tier I and Tier II taxes and the respective tax rates.
2. The year(s) to which the adjustment relates.
3. The amount of the adjustment for each year.
4. The name and account number of any employee from whom employee tax was undercollected or overcollected.
5. How you and the employee have settled any undercollection or overcollection of employee tax.

Note: A timely filed return is considered to be filed on the last day of February of the year after the close of the tax year. Generally, adjustments for prior year returns may be made only within 3 years of that date.

Fractions of cents. If there is a difference between the total employee tax on lines 8, 9, 10, 13, and 14 and the total actually deducted from your employees' compensation (including tips) plus the employer's contribution due to fractions of cents added or dropped in collecting the tax, report this difference on line 16 as a deduction or an addition. If this is the only entry on line 16, **do not** attach a statement to explain the adjustment.

Line 17. Adjusted Total of Taxes Based on Compensation

If the net adjustment on line 16 is:

- A decrease, subtract line 16 from line 15.
- An increase, add line 16 to line 15.

Line 19. Total Deposits for the Year

Enter the total Form CT-1 taxes you deposited. Also include any overpayment applied from your 1998 return.

Line 20. Balance Due

Subtract line 19 from line 18. You should have a balance due only if line 18 is less than \$1,000 unless the balance is a shortfall

amount for monthly schedule depositors as explained under the **Accuracy of deposits rule** on page 3.

Enter on your check or money order your employer identification number, "Form CT-1," and "1999." Pay to the "United States Treasury". You do not have to pay if line 20 is less than \$1.

Line 21. Overpayment

If you deposited more than the correct amount of taxes for the year, check the first box if you want the overpayment applied to your 2000 Form CT-1. Check the second box if you want it refunded. If line 21 is less than \$1, we will send you a refund or apply it to your next return only on written request.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping—Part I, 10 hr., 17 min.; Part II, 3 hr., 7 min.; **Learning about the law or the form**—Part I, 2 hr., 23 min.; Part II, 6 min.; **Preparing, copying, assembling, and sending the form to the IRS**—Part I, 6 hr., 16 min.; Part II, 9 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, see **Where To File** on page 1.