

Employee Service Determination  
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This is the decision of the Railroad Retirement Board regarding whether the services performed by JC for the Mississippi & Skuna Valley Railroad Company (M&SV) constitute employee service under the Railroad Retirement and Railroad Unemployment Insurance Acts. The M&SV is an employer (BA 3549) under the Acts administered by the Board. JC is an employee of Weyerhaeuser, a publicly traded integrated forest products company. Weyerhaeuser Corporation owns the M&SV. According to an Employee Questionnaire regarding the activities of JC supplied by Ms. Rachel Tutor, Financial Services Manager for Weyerhaeuser Corporation, JC provides financial and clerical support for the M&SV. Her duties include daily way billing, interline freight accounting, financial statement preparation, and answering the telephone. JC has a radio in her office by which she monitors and communicates with the railroad crew when they are away from the depot. JC performs her duties in a Weyerhaeuser office building that is less than 100 yards from the M&SV depot. JC provides services for both Weyerhaeuser and the M&SV. Approximately 50% of her time is spent on M&SV activities. The M&SV does not reimburse Weyerhaeuser for JC's services.

Section 1(b) of the Railroad Retirement Act and section 1(d)(1) of the Railroad Unemployment Insurance Act both define a covered employee as an individual in the service of an employer for compensation.

Section 1(d) of the Railroad Retirement Act further defines an individual as "in the service of an employer" when:

(i)(A) he is subject to the continuing authority of the employer to supervise and direct the manner of rendition of his service, or (B) he is rendering professional or technical services and is integrated into the staff of the employer, or (C) he is rendering, on the property used in the employer's operations, personal services the rendition of which is integrated into the employer's operations; and

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(ii) he renders such service for compensation \* \* \*.

Section 1(e) of the Railroad Unemployment Insurance Act contains a definition of service substantially identical to the above, as do sections 3231 (b) and 3231 (d) of the Railroad Retirement Tax Act (26 U.S.C. § 3231 (b) and (d)). Paragraph (A) of the definition dates from the inception of the railroad retirement system. See Public Law No. 162, 75th Cong., Ch. 382, Part 1, (50 Stat. 307).

In Reyolds v. Northern Pacific Railway, 168 F. 2d 934 (8th Cir. 1948), the Eighth Circuit stated that for purposes of liability for taxes under the analogous provision of the Railroad Retirement Tax Act, persons performing services for a railroad may be regarded as railroad employees, even though they are not directly employed or directly paid by the railroad. Id. at 942. The Court further stated that the intent of parties to the contract to avoid coverage, the historical practice of the railroad industry, and factors deciding the employment relationship under other Federal laws should all be considered. Id. at 940-941. Under other federal laws, numerous factors are involved in determining whether an individual is engaged in employee service. In the absence of judicial authority directly interpreting the employee service provisions of the Railroad Retirement Act, these factors may be useful in determining application of those provisions. An individual may not be self-employed where the employer furnishes without charge the supplies and premises for the work. See Henry v. United States, 452 F. Supp. 253, 255 (E.D. Tenn., 1978). Payment on an hourly basis rather

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than at a specified amount per job also indicates that the individual is an employee. See Bonney Motor Express, Inc. v. United States, 206 F. Supp. 22, 26 (E.D. Va., 1962). An independent contractor offers his service to the general public rather than to a specific employer. See May Freight Service, Inc. v. United States, 462 F. Supp. 503, 507 (E.D. N.Y., 1978). Similarly, an independent contractor generally may substitute another individual to perform the contract work, while an employee must perform the work himself. Gilmore v. United States, 443 F. Supp. 91, 97 (D. Md., 1977).

JC provides services to the M&SV, and those services are directly integrated into the management and operation of the railroad employer. Therefore, the Board finds that JC is integrated into the employer's staff or operations, as is specified in paragraph (B) and (C).

Under section 211.16(a) of the Board's regulations (20 CFR 211.16(a)), the period of time within which compensation may be reported is limited to four years after the date on which such compensation is required to be reported to the Board. The four-year rule is subject to certain exceptions including the case "Where the earnings were erroneously reported to the Social Security Administration in the good faith belief by the employer or employee that such earnings were not covered under the Railroad Retirement Act \* \* \*" (section 211.16(b)(ii)). However, no employee may be credited with service months or tier II compensation beyond the four-year period unless the appropriate railroad retirement taxes have been paid (section 211.16(c)).

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Accordingly, it is the decision of the Board that JC's services for the Mississippi & Skuna Valley Railroad Company is employee service. Consequently, such service is creditable under the Railroad Retirement and Railroad Unemployment Insurance Acts insofar as is permitted by section 211.16.

Original signed by:

Cherryl T. Thomas

V. M. Speakman, Jr.

Jerome F. Kever