



RRB News

U.S. Railroad Retirement Board

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No. 12-1

For Immediate Release
January 2012

Rail Workers Included in Legislation on Payroll Tax, Unemployment Benefits

Recently enacted legislation to provide a 2-month continuation of a payroll tax “holiday” for employees and extended unemployment benefits applies to railroad workers. The payroll tax reduction and the extended unemployment benefits had previously been scheduled to expire at the end of 2011. The legislation, passed by Congress and signed by the President on December 23, extends both provisions through February 29, 2012.

Payroll Tax -- The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provided a reduction of 2 percentage points in social security payroll taxes paid by employees during 2011. Railroad retirement benefits are divided into two tiers, with tier I being equivalent to social security benefits.

As a result of the recent legislation, the tier I tax rate on railroad employees will continue to be 4.2 percent, a reduction from 6.2 percent, through February 29, 2012. Employees will continue to pay a 1.45 percent tax for Medicare hospital insurance, for a total tier I payroll tax rate of 5.65 percent. The employer tier I tax rate remains 7.65 percent. For the year, the maximum amount of earnings subject to the tier I payroll tax is \$110,100, while there is no limit on compensation subject to the Medicare tax.

Extended Unemployment Benefits -- Under previous law, railroad workers with less than 10 years of service were eligible for up to 65 days of extended unemployment benefits, while workers with 10 or more years of service could receive up to 130 days of extended benefits. To qualify for these benefits, the employee had to claim regular unemployment benefits between July 1, 2008, and June 30, 2011. The latest date that an extended benefit period could begin was December 31, 2011.

The recently enacted law provides a 2-month extension for both the base period and the cutoff date. Specifically, it authorizes extended benefits to anyone claiming regular unemployment benefits through August 31, 2011, who exhausts his or her regular benefits. The new law also extends the cut-off date for beginning extended benefits to February 29, 2012.

As a result, unemployed workers with less than 10 years of service are eligible for up to 65 days of extended benefits within 7 consecutive 2-week registration periods. Those with 10 or more years of service can receive up to 130 days within 13 consecutive 2-week registration periods. In both cases, the latest date that an extended benefit period can begin is now February 29, 2012.

(More)

The RRB will notify individuals of their rights to extended benefits as they become eligible and also provide any applicable claim forms. Employees may file these claims securely online at the agency's website, www.rrb.gov, or mail them to the RRB office serving their area.

In addition to the website, railroad workers can get more information about the law or find the RRB office serving their area by calling the agency toll-free at 1-877-772-5772.

Current plans call for the Congress to discuss the possibility of extending both the payroll tax reduction and the extended unemployment benefits through the end of 2012 when it reconvenes after the first of the year.

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