

PART VI Related Reporting Responsibilities and Taxes

CHAPTER 1: Form AA-12, Notice of Death & Statement of Compensation

Purpose of Form AA-12

The purpose of Form AA-12 is twofold. The form is used to notify the Railroad Retirement Board of an employee's death and to provide information not yet reported about the deceased employee's service and compensation. This information is used to determine any survivor benefit.

The employer usually initiates Form AA-12. If service and compensation information has not been reported by the time the RRB is processing the application for survivor benefits, the RRB will send Form AA-12 to the employer requesting the information.

What Years are Reported on Form AA-12?

Form AA-12 may be used to report service and compensation for the current year, prior year, or both prior and current year's service and compensation. For example, if an employee worked through January 22, 2005 and then died; Form AA-12 would cover years 2004 and 2005. Form AA-12 would include all service and compensation not yet reported to the RRB for both years because the 2004 annual report is not due to the RRB until the last day of February 2005.

AA-12 Reports are Interim Reports

The information on Form AA-12 is considered to be "Lag" service and compensation because it has not been posted to the employee's master service and compensation record at the RRB. Lag is the time between the last month for which service and compensation has been reported to the RRB and, if it is later, the employee's date last worked. The period from January of the current year through the date last worked is always a lag period because the "annual" report of this information is not due to the RRB until the last day of February of the following year. It is necessary that all service and compensation be included in the annual report for that year although this information has been previously submitted on Form AA-12.

Form AA-12 is completed with information available at the time, while the annual report is completed with information at the end of the year. Because the information is more complete at the end of the calendar year, the annual report information is considered the correct service and compensation if discrepancies exist between a lag report and an annual report.

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Part VI, Chapter 1

CHAPTER 1: Form AA-12, Notice of Death & Statement of Compensation, Continued**Completing Form AA-12**

Instructions are included on the form. Of particular importance is the instruction not to report service months after the month of an employee's death. As mentioned in Part III, Chapter 2, an employment relationship ends at death.

The principles and guidelines for reporting service and compensation on Form AA-12 are the same as those used for the annual reports. The information provided on Form AA-12 may not be the same as the service and compensation data later provided on the annual report but both reports should be consistent.

Any questions about the AA-12 should be directed to a reporting specialist in the Quality Reporting Service Center.

CHAPTER 2: Form G-88A.1, Request for Verification of Last Date Worked and Form G-88A.2, Request for Service Needed for Eligibility

Purpose of Form G-88A.1

The purpose of Form G-88A.1, Request for Verification of Last Date Worked, is twofold. First, the form notifies the employee's last covered employer that the employee retired and secondly, it requests verification of the date last worked so that the RRB can ensure that the employee's annuity begins on the correct date.

When is Form G-88A.1 Sent and Who is Included

Form G-88A.1, Request for Verification of Last Date Worked, is produced monthly. Employees will be included on the G-88A.1 listing if:

- the employee indicated they last worked for that employer;
- the employee last worked within two years of filing for an annuity; and
- the annuity begins in that month or is retroactive to a previous month.

If an employee filed for an annuity based on age and service, the listing will also include the date the employee relinquished employment rights, so verify that this date is also correct.

Reply to Form G-88A.1 Only if Errors

If any of the dates on the G-88A.1 listing are incorrect; correct the date, sign the form at the bottom, and fax it to the number shown on the form. A date-last-worked date is incorrect if an employee earned creditable service for a period after that date even though the employee did not actually work, such as pay for time lost.

Completing Form G-88A.1

Instructions on how to complete Form G-88A.1 are on the form along with the telephone number to call with questions. You will also receive an accompanying Form RL-G88a.1, cover letter that gives a detailed explanation on how to complete the form.

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Part VI, Chapter 2

CHAPTER 2: Form G-88A.1, Form G-88A.2, Continued

**Purpose of
Form G-88A.2**

Form G-88A.2, Notice of Retirement and Request for Service Needed for Eligibility, also serves a dual purpose. First, the form notifies the employee's last railroad employer that the employee has retired and secondly, it requests a report of service months needed to qualify the employee for an annuity.

The form requests service month data for years in which the final earnings reports have not been filed at the RRB because they are not yet due. For example, the annual reports for service performed in 2005 are not due until the last day of February 2006.

**Completing
Form G-88A.2**

The RRB completes items 1 through 12 with information taken from the employee's application for retirement or disability benefits. The employer must:

- Verify that the date last worked (DLW) or the "Pay for Time Lost" (PTL) through date in item 11 is correct. **Only** complete item 13 if the DLW or PTL date is incorrect;
- Complete item 14 to indicate the number of creditable service months; and
- Complete item 16 to certify the information is correct.

Instructions on how to complete Form G-88A.2 are on the form along with the telephone number to call with questions.

**Failure to
Complete and
Return Form
G-88A.2**

Failure to return Form G-88A.2 delays the payment of retirement benefits until the information is received. Replies should be faxed to the number on the form to facilitate timely payment of benefits. Employers are requested to expedite handling of the G-88A.2 requests.

**Form G-88A.2
and the annual
BA-3a**

The service reported on Form G-88A.2 must also be included in your annual report of service and compensation that is due on the last day of February of the following year. This is necessary because the service and compensation are both utilized together in the calculation of benefits.

CHAPTER 3: Form DC-1 Employer's Quarterly Report of Contributions under the RUIA

DC-1 Submissions

Employers must submit Form DC-1, Employer's Quarterly Report of Contributions under the Railroad Unemployment Insurance Act (RUIA) and remit contributions (taxes) to the Bureau of Fiscal Operations (BFO) of the Railroad Retirement Board (RRB). Instructions for filing Form DC-1 are on the form which can be found on the RRB website at www.rrb.gov.

Employers who use the RRBLINK Internet system to make RUIA contribution deposits have the option to file Form DC-1 on the RRBLINK system.

RRBLINK

Employers are encouraged to make their tax deposits using the RRBLINK system as it is the only system where employers can deposit both Tier taxes (including Medicare) and RUIA contributions. The RRBLINK system offers three methods for making tax deposits:

- Touchtone phone;
- PC file transfer; and
- The Internet.

Forms necessary to register as a participant in the RRBLINK system may be obtained from the RRB or from US Bank at (888) 273-2265.

RUIA Contribution Rates

Each employer has an individual RUIA contribution rate that is experience rated which means that the rate is based on the actual benefits paid to employees of that employer. An employer's RUIA contribution rate is established annually by the RRB. Notices are released to employers in October each year to notify you of the contribution rate for the upcoming year. So, the notices that are released in October 2004 will notify the employer of their 2005 contribution rate. New employers or employers who do not know their contribution rate should contact an [Experience Rating Specialist](#) at the number shown on the cover page to obtain the correct RUIA rate.

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Part VI, Chapter 3

**CHAPTER 3: Form DC-1 Employer's Quarterly Report of
Contributions under the RUIA, Continued**

**Reconcile
Compensation
and Taxes**

The total creditable RUIA compensation reported on Form BA-3a in a calendar year should be consistent with the total taxable RUIA compensation reported on Form DC-1 for the same year. Each employer should reconcile these amounts prior to filing the forms. The RRB will contact an employer about any discrepancies but the employer may be subject to penalties and interest at that point.

**Errors,
Penalties and
Interest**

If you discover errors affecting Form DC-1 after the form has been submitted to the RRB, make the adjustment on your next DC-1. If the error also affected the tax liability for the previous year, make the adjustment in your next deposit. Questions about the form and the payment of contributions should be directed to [BFO](#) at (312) 751-4310.

The penalty for late submission of Form DC-1 is 5 percent a month up to a maximum of 25 percent.

The interest charge for delinquent remittance of contributions is 1 percent a month.

CHAPTER 4: Form CT-1, Employer's Annual Railroad Retirement Tax Return

Who Must File	Each system unit and local lodge unit must file an annual tax return, Form CT-1, Employer's Annual Railroad Retirement Tax Return, with the Internal Revenue Service (IRS). The grand lodge may choose to file one Form CT-1 with the IRS for all units.
Where to File	All Forms CT-1 are filed at: Internal Revenue Service Center Cincinnati, OH. 45999-0007.
Due Date	Form CT-1 for a calendar year is due at the IRS by the last day of February of the following year.
IRS/RRB Jurisdiction Coordination	<p>The IRS and the RRB have coordination procedures for their respective functions in connection with railroad retirement. A copy of each employer's completed Form CT-1 is sent to the RRB for tax reconciliation with that employer's reported creditable compensation for the year.</p> <p>Form CT-1 is also used to report the amount of Medicare tax paid, but there is no corresponding employee earnings report which must be filed with the RRB for payment of the Medicare tax.</p> <p>Representatives from the RRB have no authority to give definitive answers to railroad retirement tax questions. Although the Quality Reporting Service Center reporting specialist may help you with some railroad retirement tax or Form CT-1 questions, it may be necessary for them to refer you to an IRS railroad retirement tax specialist.</p>
Obtaining Form CT-1	Form CT-1 is an IRS form, not a RRB form. The IRS releases Form CT-1, and its separate instructions, to employers in December. Form CT-1 is also available on the IRS Internet site at www.irs.gov . If you do not receive a Form CT-1 by December 31, contact the IRS. If you are still unable to obtain Form CT-1, contact QRSC at the number or e-mail address shown on the title page.

Part VI, Chapter 4

CHAPTER 4: Form CT-1, Employer's Annual Railroad Retirement Tax Return, Continued

Tax Rates and Compensation Bases

The RRB notifies employers by December each year of the tax rates and compensation bases applicable for the following year. This information is also available on the RRB web site at www.rrb.gov.

How to Make Tax Deposits

Railroad retirement taxes are deposited with an authorized financial institution or a Federal Reserve bank or branch, either electronically or by using Form 8109. Taxes may not be paid to the IRS or to the RRB.

All employers are encouraged to make electronic deposits. Depending on your tax liability in the previous year, you may be required to make your tax deposits electronically. See Form CT-1 for deposit requirements. Electronic deposits are made using RRBLINK system or EFTPS system. Contact RRB Budget and Fiscal Operations (BFO) for more information on electronic deposit systems. The telephone number for BFO can be found in Appendix II, Jurisdiction Guide.

CT-2, Employee Representative's Quarterly Railroad Retirement Tax Return

Do not use Form CT-2, Employee Representative's Quarterly Railroad Retirement Tax Return, to make deposits. Only Employee Representatives use Form CT-2. An "employee representative" within the meaning of the Railroad Retirement Act does not refer to an employee of a national rail labor organization employer.

When to Make Tax Deposits

In general, your total RRTA tax liability in the previous year determines the frequency of your tax deposits. Each November, the IRS will notify employers of their deposit frequency for the coming calendar year. If you do not receive a notification, you must determine your own deposit status. See the deposit rules in the Form CT-1 instructions.

Medicare Tax

Form CT-1 is also used to report the amount of SSA Medicare tax paid. There is no corresponding employee earnings report that must be filed with the RRB for payment of the Medicare tax.

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CHAPTER 4: Form CT-1, Employer's Annual Railroad Retirement
Tax Return, Continued

**Penalties and
Interest**

The law provides penalties for failure to file and late filing of a Form CT-1 and failure to pay taxes or late payment or deposit of taxes. Interest is also charged on taxes deposited late at the rate set by law. If you are unavoidably late in filing or paying taxes, send an explanation with Form CT-1. If taxes are not withheld and paid, you may be subject to a penalty of 100% of the unpaid taxes. .

**RRB/IRS
Coordination**

The IRS and the RRB have coordination procedures for their respective functions concerning railroad retirement. Form CT-1 information is sent to the RRB for tax reconciliation with that employer's reported creditable compensation for the year.

Representatives from the RRB have no authority to give definitive answers to railroad retirement tax questions. Questions about railroad retirement taxes or completion of Form CT-1 may be directed to a Quality Reporting Service Center reporting specialist at the RRB. However, it may be necessary for them to refer you to an IRS railroad retirement tax specialist for the answers to some questions about railroad retirement taxes.

Part VI, Chapter 5

**CHAPTER 5: Form W-2, Wage and Tax Statement,
Form W-3, Transmittal of Wage and Tax
Statements**

**Where and
When to File
the W-2/W-3**

The W-2/W-3 forms are Internal Revenue Service (IRS) forms that are filed with the SSA. The IRS receives this information from the SSA for federal tax data purposes.

Employers must file Forms W-2 and W-3 by the last day of February each year. In addition, Form 6559, Transmitter Report and Summary of Magnetic Media, is filed for magnetic reports of Forms W-2. Instructions for completion are on the back of the form. Instructions for filing magnetic media W-2 reports are issued by SSA in its publication "Magnetic Media Reporting" which can be found on their web site at www.ssa.gov/employer/pub.htm. If you submit Form W-2 data on magnetic media, do not submit the same W-2 data to SSA on paper forms.

**Duplicate
Earnings**

Duplicate posted earnings are annual earnings that are erroneously posted as social security wages on an employee's record at SSA from the W-2 data **and** correctly posted on the corresponding employee record at the RRB from Form BA-3a, Annual report of Creditable Compensation. Duplicate earnings overstate an employee's lifetime earning record, thus creating the potential for a benefit overpayment when a railroad retirement or social security benefit is paid to that individual.

Correct completion of Forms W-2/W-3 is important in preventing duplicate earnings and correctly crediting an employee's earnings record.

**How to Avoid
Duplicate
Earnings**

The key concept in preventing duplicate earnings is to correctly identify the type of employment on Form W-3 for the accompanying W-2 data. It is important that employers covered under the RRA mark the correct box in the "Kind of Payer" block of the Form W-3. "CT-1" is the only box which should be marked. For magnetic media reports, railroad employees should be reported with an "X" in the Type Of Employment (TOE) field of the code E record.

Whether reporting by paper or magnetic media, railroad employees should not have their railroad retirement tax reported as social security tax, nor their railroad earnings reported as social security wages. Dollar amounts reported on Forms W-2 should balance with those on Form W-3.

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CHAPTER 5: Form W-2, Wage and Tax Statement,
Form W-3, Transmittal of Income and Tax
Statements, Continued

Common Error A common error for railroad employers is to enter the Medicare tax amounts withheld in the “Medicare tax withheld” block. This Medicare box is for employees covered under the SSA. If the Medicare box is completed, SSA looks for corresponding social security taxes. Because railroad employers do not make entries for social security wages, this creates a discrepancy which must be resolved.

Proper Completion of W-2/W-3 In accordance with the SSA instructions for completion of Form W-2/W-3, employers covered under the RRA must complete the forms as follows:

- Mark "CT-1" under "Kind of Payer" on Form W-3. "CT-1" is the **only** box that should be marked. For magnetic media reports, code an "X" in the Type of Employment (TOE) field of the code E record;
- On Form W-2, make no entries in boxes 3, 4, 5, and 6. The corresponding boxes on Form W-3 should also be blank for RRA covered employees; and
- RRA covered employers **must** enter the amount of Tier I and Tier II tax withheld in the box marked “Other”. You may also include optional information such as Medicare tax, Tier I and Tier II compensation in the same box.

The Forms W-2/W-3 example at the end of this chapter illustrates the correct completion of the forms for employees covered under the RRA.

Segregating Railroad Retirement Employees and Social Security Employees If you have employees covered under the SSA by virtue of the segregation of your rail labor union business as set forth in Section 202.3 of the RRB’s Regulations, separate forms W-2/W-3 should be filed for the employees of your separate non-rail labor unit. Issue separate W-2’s for employees who work in two positions when one is covered by RRA and the other is covered by SSA.

If you determine your Forms W-2/W-3 contains an error and railroad earnings may have been processed as social security wages, contact the local SSA office for advice.

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Part VI, Chapter 5

**CHAPTER 5: Form W-2, Wage and Tax Statement,
Form W-3, Transmittal of Income and Tax
Statements, Continued**

**SSA Magnetic
Media Form
W-2**

SSA has created, and is continuously updating, a list of Employer Identification Numbers (EIN) that belong to employers covered under the RRA. This list is compared to the EIN in the Employer record (code E) of each Form W-2 magnetic media report which SSA receives. If a match is made, SSA will check to ensure that the report has a type of employment code "X" for railroad and that the Employee records (code W) have zeroes in all the social security and Medicare fields.

This processing is ideal for employers who either have no employees covered under SSA or have segregated their rail labor union business as a separate employer with a separate EIN from their non-rail labor business. The processing will help ensure that RRA W-2 reports and SSA W-2 reports are completed and processed correctly.

Employers who have the same EIN for their segregated rail labor union business and non-rail labor business cannot participate in this enhanced processing. Once an EIN has been included in SSA's program and specified as RRA earnings, SSA wages cannot be reported under this EIN. Employers can request SSA to issue separate EINs for rail labor union business and non-rail labor business.

**How to
Participate in
the
Enhancement
Processing**

Contact a Railroad Retirement Compensation Specialist at (312) 751-4992 for a certification form. If you have questions about how the EIN number will be used in the processing at SSA, contact SSA at (410) 965-7068.

**Questions
about SSA
forms W-2 and
W-3**

Representatives from the RRB have no authority to give definitive answers to Forms W-2/W-3 questions. Questions concerning the completion of Forms W-2/W-3 may be directed to a Compensation Reporting specialist at the RRB. However, it may be necessary for them to refer you to an IRS or SSA W-2/W-3 Specialist for answers to some questions.

CHAPTER 6: Supplemental Annuity Benefits

Supplemental Annuity Background

Prior to calendar year 2002, the railroad retirement supplemental annuity program was financed by a work hour tax on a pay-as-you-go basis under 26 USC 3221 (C) of the Internal Revenue Code. The Railroad Retirement and Survivor's Improvement Act of 2001 (RRSIA) repealed the Railroad Retirement Supplemental Annuity Tax effective January 1, 2002. Supplemental annuities provided under the Railroad Retirement Act were not eliminated by the RRSIA, but are now funded through the National Railroad Retirement Investment Trust.

Who Is Eligible for a Supplemental Annuity?

A supplemental annuity can be paid to a retired employee who:

- has at least 25 years of railroad service with at least one month of railroad service before October 1981;
- is entitled to a railroad retirement annuity; and
- has a current connection or "deemed current connection" with the railroad industry on the annuity beginning date.

Supplemental Annuity Benefit Amount

The gross supplemental annuity rate is based on an individual's years and months of creditable railroad service. The minimum gross rate is \$23 for 25 years of railroad service. An additional \$4 is added for each full year of railroad service over 25 and up to 30. The maximum supplemental annuity is \$43 for employees with 30 or more years of railroad service.

Employees, who are entitled to a private pension from a railroad employer, will have their supplemental annuity reduced by that part of the private pension financed by employer contributions. Supplemental annuities are not payable to spouse or survivor annuitants.

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Part VI, Chapter 6

CHAPTER 6: Supplemental Annuity Benefits, Continued

When Can a Supplemental Annuity Begin?

The supplemental annuity can begin as early as:

- Age 60, if the employee has at least 360 months of creditable service; or,
 - Age 65, if the employee has 300 – 359 months of creditable service.
-

Type of Employer Pension which will Reduce the Supplemental Annuity

“Employer pension” is a pension, other than Railroad Retirement benefits, provided to the employee by a railroad employer and which is based wholly or in part on employer contributions. Employer contributions do not include amounts deducted from an employee’s payroll or any contributions to the pension fund made by an employer in lieu of a wage increase under provisions of a collective bargaining agreement.

An “employee pension” must have a written plan which:

- is communicated to the employee to whom it applies;
 - covers a defined group of employees; and
 - provides for the regular payment of benefits to employees under a set formula over a period of years.
-

Pension Plans paid by Labor Organizations

Any employer pension paid by a labor organization to its office employees or employee representatives was excluded from the legislation that established the reduction to the supplemental annuity. These employer pensions are not considered to be a supplemental pension plans and do not cause a reduction to the RRB supplemental annuities.

CHAPTER 7: ID-6, Transmittal of Tier I Tax Transactions on Sickness Benefits

Legislative Background

An amendment to the Social Security Act in 1981 provided that certain sick pay is subject to social security taxes. Corresponding legislation amended the Railroad Retirement Tax Act and provided that certain railroad sickness insurance benefits paid after December 31, 1981 are subject to railroad retirement Tier I and Medicare taxes. Included are sickness benefits paid under the Railroad Unemployment Insurance Act (RUIA)

Employers Pay Share of Tax on RRB Sickness Benefits

Upon notice, an employer must pay the employer share of Tier I tax due on sickness benefits paid by the Railroad Retirement Board (RRB.) Form ID-6 is the employer's notice of tax due.

Form ID-6

The RRB notifies railroad employers each month by Form Letter ID-6 of the amounts of benefits paid subject to Tier I tax. The notice contains a list showing:

- 1) the gross amount of taxable sickness benefits paid to each employee;
- 2) the amount of the Tier I tax withheld by the RRB; and
- 3) the applicable month and year.

Upon notification by the RRB, the employer should remit its share of taxes to the Internal Revenue Service (IRS) unless the carrier has already paid the maximum Tier I creditable compensation for the employee for the year. In such a case, the employer should remit the employer share of Medicare tax.

Form ID-6y

At the end of the year, Form ID-6y, Summary Transmittal of Tier I Tax Transactions on Sickness Benefits, is sent to employers summarizing the Forms ID-6 sent during the year.

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Part VI, Chapter 7

**CHAPTER 7: ID-6, Transmittal of Tier I Tax Transactions on
Sickness Benefits, Continued****RRB Sickness
Benefits and
Form CT-1**

Employers should report on Form CT-1 their matching Tier I tax payments made on RRB sickness benefits.

The RRB withholds the employee Tier I tax from sickness benefits and remits the taxes on a daily basis to the IRS. The RRB files Form CT-1 with the IRS to report employees' Tier I tax withheld on sick pay.

**RRB Sickness
Benefits and
Form BA-10**

The RRB, not the employers, completes Form BA-10, Report of Miscellaneous Compensation and Sick Pay, in order to credit employees' service and compensation records with the creditable sickness benefits paid under the RUIA.

**What Sickness
Benefits are
Subject to Tax?**

Sickness benefits under the RUIA are subject to Tier I taxes if:

- The benefits are paid before the end of the 6-month period immediately following the month in which the employee last worked; and
- The benefits are not paid for an on-the-job injury.

Benefits for days of sickness within the taxable period that are *paid* after the end of the period are not taxable. The date of payment, rather than the date of sickness, is controlling.

**Examples of
Benefits Paid
During Taxable
Period**

Employee A became sick on May 15. The taxable period begins on May 15 and ends on November 30, the last day of the sixth month following the month in which he last worked.

Employee B breaks her ankle playing softball after work on September 3. She returns to work November 15. On December 7, she becomes ill. Benefits paid September 3 through March 31 for the ankle injury are taxable because the benefits are paid within the 6-month period following September. Benefits paid December 7 through June 30 for the illness are taxable because they are paid within the 6-month period following December. Thus, all benefits paid from September 3 through June 30 are taxable.

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CHAPTER 7: ID-6, Transmittal of Tier I Tax Transactions on Sickness Benefits, Continued

**Example of
Benefits Paid
After End of
Taxable Period**

Employee C last worked and became ill on January 8. He is not qualified for benefits until July 1. The taxable period is January 8 through July 31. He applies for benefits in July. His first compensable claims are processed on August 1, resulting in payment of benefits for days in the period July 1 through July 28. Although benefits are payable for days within the taxable period, taxes are not withheld because the benefits are paid after the taxable period ended.

**Recovery of
Sickness
Benefits**

If taxable sickness benefits become recoverable for any reason, the after-tax net amount (the amount actually paid to the employee) is the amount recoverable from the employee. The amount of Tier I taxes that were withheld by the RRB and paid to the IRS is claimed as a credit against future RRB payments to the IRS.

The employer would also be entitled to take a credit of the amount of Tier I taxes remitted by the employer in their next deposit. Notice of benefit credits, if any, are included with the Form ID-6 sent to the employer each month.
