

**Labor Employer Reporting Instructions**  
**Part III - Principles of Service and Compensation**  
**Chapter 3: Creditable Maximum Compensation Amounts**

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**Maximums and Types of Compensation**

The three types of creditable compensation which must be reported are known as Tier I, Tier II, and Railroad Unemployment Insurance Act (RUIA) compensation. The terms refer to three differing compensation maximums.

**Employer Notification of Compensation Maximums**

The compensation maximums, also known as the earnings bases, for Tier I and Tier II are established by the Social Security Administration and published in the Federal Register. The RRB determines the RUIA compensation maximum. Each October, the RRB notifies all employers of the earnings maximums for the following year, via a circular letter to the NRO.

**Tier Maximums**

Tier I and Tier II compensation is subject to annual maximums. Both Tier I and Tier II compensation are creditable until the Tier II maximum is reached. Amounts earned over and above the Tier II maximum are creditable as Tier I compensation, until the Tier I maximum is reached.

**Examples of Reporting up to the Annual Tier Maximum**

The 2004 Tier I and Tier II earnings maximums were \$87,900.00 and \$65,100.00, respectively. If an employee earned \$80,000.00 in 2004, the employer should report \$80,000.00 as creditable Tier I compensation and \$65,100.00 as creditable Tier II compensation.

A second employee earned \$90,500.00 in 2004. The employer should report \$87,900.00 as creditable Tier I compensation and \$65,100.00 as creditable Tier II compensation.

The reported Tier I and Tier II compensation, by a single employer, should never exceed the applicable annual maximums.

**RUIA Maximum**

RUIA compensation is subject to monthly maximums. Amounts earned over and above the monthly maximum are not creditable or taxable.

**Examples of Applying RUIA Maximum**

The RUIA monthly maximum for 2004 is \$1130. If an employee earned \$6000 each month in 2004, the employee would be credited with RUIA compensation of \$1130 each month for a yearly total of \$13,560.00.

A second employee is a seasonal worker who had no earnings in January, February, or December 2004. The employee earned \$800 in March and November and \$5000 in the remaining seven months for a yearly total of \$9510. RUIA compensation is creditable as follows:

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<b>Month</b>	<b>Amount Creditable</b>
January	\$ 0.00
February	\$ 0.00
March	\$ 800.00
April	\$ 1,130.00
May	\$ 1,130.00
June	\$ 1,130.00
July	\$ 1,130.00
August	\$ 1,130.00
September	\$ 1,130.00
October	\$ 1,130.00
November	\$ 800.00
December	\$ 0.00

**Applying Maximums When Employee Worked for More Than One Employer**

Labor employers must tax and report Tier I and Tier II compensation amounts up to the applicable annual maximums regardless of whether the employee worked for another covered employer either concurrently or in a different period in that calendar year. Tier maximums are applied to earnings from each employer as though that employer was the sole employer whether or not the employee had other employment in the year.

**Reported RUIA Compensation Exceeds Maximum**

RUIA maximums are applied to each employee. If there are multiple employers, each employer may prorate their share of RUIA compensation based on the combined compensation paid in the month. See [Chapter 5](#) for information on RUIA compensation from multiple employers.

**Reported Tier I and Tier II Compensation Exceeds Maximum**

If the total compensation reported by all employers for an individual exceeds the annual maximum creditable by law, the RRB will automatically adjust the record to reflect the annual maximum creditable compensation for that employee's record. See Chapter 4 of this Part for instructions on what an employee should do when this situation results in excess employment tax withholding.

**No Medicare Maximums**

Amounts earned over and above the Tier I maximum are not creditable under the RRA even though additional amounts earned are taxable for Medicare purposes. Taxable Medicare earnings beyond the creditable Tier I maximum are not reported to the RRB, except possibly on Form BA-11, Gross Earnings Report.

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If an employee earned \$90,500 in 2004, the employer should report \$87,900 as creditable Tier I compensation and \$65,100 as creditable Tier II because those are the 2004 Tier maximums. The entire \$90,500 is taxable for Medicare purposes.