

Program Letter

United States Railroad Retirement Board Office of Programs



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Letter No. 1998-03

Date: December 18, 1997

TO: Certification Contact Officials

SUBJECT: Change in SSA's Form W-2 Instructions for Railroad and Labor Employers

Please share this information with the appropriate members of your staff who file service and compensation reporting forms for employees of your organization.

Many of you are already aware that there is a new requirement that tier tax information be shown in Box 14 of Form W-2. The Railroad Retirement Board, although familiar with the issue, was not notified of the new requirement. As a result, we could not alert you to the change prior to it appearing in the instructions for the 1997 Form W-2.

We advised the Internal Revenue Service (IRS) that, without advance notification, there may be insufficient time for some employers to make the change in their 1997 Forms W-2. We requested that no penalties be imposed this year and IRS agreed. We also asked that the requirement clearly state that Tier I and Tier II taxes only are required in Box 14.

What change do I have to make on Forms W-2?

Employers who are covered under the Railroad Retirement Tax Act (RRTA) are to report in Box 14 of Forms W-2 the amount of Tier I and Tier II tax withheld. In addition to the Tier I and Tier II tax withheld, you may include in Box 14 optional information such as Medicare tax, Tier I and Tier II compensation.

Why was this Change Made?

The Tier I and Tier II tax information is needed by employees who also work for another employer in the year and where the combined earnings exceed the Tier II earnings base. The employees must include this information with their income tax return in order to receive a tax credit for the taxes withheld in excess of the annual limit. If this information is not included on Forms W-2, the income tax credit is disallowed.