

Rail Employer Reporting Instructions
Part IV - Particular Types of Compensation Payments
Chapter 12: Exclusions to Creditable Compensation

Payments That Are Not Considered Creditable Compensation

The following payments paid to an employee by an employer are not considered creditable compensation under the Railroad Retirement Act and the Railroad Unemployment Insurance Act:

- Sick pay paid subsequent to the sixth month following the month last worked, as described in [Part IV, Chapter 3](#) on sick pay and [Chapter 2](#) on miscellaneous compensation;
- Contributions and payments for pension or profit sharing made under a plan that qualifies for exclusion from income under the Internal Revenue Code. This exclusion does not apply to Section 401(k) plans;
- Payments made to an employee who has been called to active military service which are intended to supplement military pay;
- Payments made to an employee's survivor or to an estate in the year after the employee died. (Payments made after death but in the year of death are creditable compensation.);
- Interest paid on compensation earned but not timely paid;
- The value of "qualified" fringe benefits received under a Section 125 cafeteria plan, also known as a flexible benefit plan. However, a cash payment received under such a plan is compensation;
- The value of non-qualified stock options;
- Tip earnings of less than \$20 per month;
- Compensation paid to a non-resident alien with a "F-1" or "J-1" visa;
- Compensation paid to the director of a railroad is not creditable. However, compensation paid to officers is creditable. Directors are not considered employees within the meaning of the Acts;
- Receivers and Trustees are designated employers and may not also be employees. This treatment is consistent with the position of the IRS;
- The partners in a Limited Liability Company do not receive creditable compensation. Their pay is treated the same as that as of a director of a company. The exception would be if they were performing material work. In that case, the partner pays FICA taxes on their individual income tax return. There is no method by which a partner can pay RRTA taxes.

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Reimbursements

The following reimbursements for employment-related expenses are not creditable compensation or subject to tax.

- Educational assistance that is excluded from compensation under Section 127 of the Internal Revenue Code.
- Allowances or provisions for meals and lodging that are excluded from compensation under Section 119 of the Internal Revenue Code. Section 119 covers meals and lodging provided by the employer.
- Allowances or reimbursements for travel, meals and lodging that are incurred while traveling in the business of the employer and where paid under a plan that requires an employee to account for their expenditures. Expenditures not accounted for are creditable compensation.
- Reimbursements for moving expenses that are deductible under Section 217 of the Internal Revenue Code.

Service Performed Outside the United States

Earnings paid by a covered railroad employer for service performed outside the United States:

- for a non-US employer, regardless of citizenship of the employee, is not creditable;
- for a US employer, by citizens of the United States, is creditable; or
- by non-US citizens, is generally not creditable, but there may be exceptions.