RRB News

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Railroad Retirement and Unemployment Insurance Taxes in 2027

The amounts of compensation subject to railroad retirement tier I and tier II payroll taxes will increase in 2027, while the tax rates on employers and employees will stay the same. In addition, unemployment insurance contribution rates paid by railroad employers will not include a surcharge, as strong performance by the rail economy has maintained a healthy balance in the fund used to pay unemployment and sickness benefits.

Tier I and Medicare Tax – The railroad retirement tier I payroll tax rate on covered rail employers and employees for 2027 remains at 7.65 percent. The railroad retirement tier I tax rate is the same as the social security tax and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate will increase from $184,500 in 2026 to $192,300 in 2027, with no maximum on earnings subject to the 1.45 percent Medicare rate.

An additional Medicare payroll tax of 0.9 percent applies to an individual's income exceeding $200,000, or $250,000 for a married couple filing a joint tax return. While employers will begin withholding the additional Medicare tax as soon as an individual's wages exceed the $200,000 threshold, the final amount owed or refunded will be calculated as part of the individual's federal income tax return.

Tier II Tax – The railroad retirement tier II tax rates in 2027 will remain at 4.9 percent for employees and 13.1 percent for employers. The maximum amount of earnings subject to railroad retirement tier II taxes in 2027 will increase from $137,100 to $142,800. Tier II tax rates are based on an average account benefits ratio reflecting railroad retirement fund levels. Depending on this ratio, the tier II tax rate for employees can be between 0 percent and 4.9 percent, while the tier II rate for employers can range between 8.2 percent and 22.1 percent.

(More)

***Unemployment Insurance Contributions* –** Employers, but not employees, pay railroad unemployment insurance contributions, which are experience-rated by employer. The Railroad Unemployment Insurance Act also provides for a surcharge or credit based on the Railroad Unemployment Insurance Account balance measured against various threshold amounts. The accrual balance of the Railroad Unemployment Insurance Account was approximately $331.7 million on June 30, 2026, down from $405.3 million a year earlier. Surcharges apply if the account balance is at or below $100 million, indexed to $183.0 million as of June 30, 2026. As a result, there will be no surcharge in 2027. There was also no surcharge in 2026.

Unemployment insurance contribution rates on railroad employers in 2027 will range from a minimum rate of 0.65 percent to a maximum of 12.0 percent on monthly compensation up to $2,235, an increase from $2,150 in 2026.

In 2027, the minimum rate of 0.65 percent will apply to 89 percent of covered employers, with three percent paying the maximum rate of 12.0 percent. New employers will pay an unemployment insurance contribution rate of 3.12 percent, which represents the average rate paid by all employers in the period 2023-2025.

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