Instructions for Form Ct-1

2023

Employer's Annual Railroad Retirement Tax Return

Volume 1 of 2

Department of the Treasury
Internal Revenue Service

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Department of the Treasury **Internal Revenue Service** www.irs.gov

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Future Developments

For the latest information about developments related to Form CT-1 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/CT1*.

What's New

Changes to tax rates and compensation bases. For the 2023 tax rates and compensation bases, see *Employer and Employee Taxes*, later.

Credit for COBRA premium assistance payments. The COBRA premium assistance credit lines have been "Reserved for future use" on Form CT-1 because the first quarter of 2022 was the last quarter in which most employers may have been eligible to claim the COBRA premium assistance credit.

Section 9501 of the American Rescue Plan Act of 2021 (the ARP) provided for COBRA premium assistance in the form of a full reduction in the premium otherwise payable by certain individuals and their families who elected COBRA continuation coverage due to a loss of coverage as the result of a reduction in hours or an involuntary termination of employment (assistance eligible individuals). This COBRA premium assistance was available for periods of coverage beginning on or after April 1, 2021, through periods of coverage beginning on or before September 30, 2021. A premium payee was entitled to the COBRA premium assistance credit at the time an eligible individual elected coverage. Therefore, due to the COBRA notice and election period requirements (generally, employers had 60 days to provide notice and assistance eligible individuals had 60 days to elect coverage), the first quarter of 2022 was the last quarter in which most employers may have been eligible to claim the COBRA premium assistance credit.

Reminders

The COVID-19 related credit for qualified sick and family leave compensation is limited to leave taken after March 31, 2020, and before October 1, 2021. Generally, the credit for qualified sick and family leave compensation, as enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020, for leave taken after March 31, 2020, and before April 1, 2021, and the credit for qualified sick and family leave compensation under sections 3131, 3132, and 3133 of the Internal Revenue Code, as enacted under the ARP, for leave taken after March 31, 2021, and before October 1, 2021, have expired. However, employers that pay qualified sick and family leave compensation in 2023 for leave taken after March 31, 2020, and before October 1, 2021, are eligible to claim a credit on Form CT-1 filed for 2023. For more information, see the instructions for line 16, line 17b, line 23, and line 24b, later.

Use Worksheet 1 to figure the credit for leave taken after March 31, 2020, and before April 1, 2021. Use Worksheet 2 to figure the credit for leave taken after March 31, 2021, and before October 1, 2021. For more information about the credit for qualified sick and family leave compensation, go to *IRS.gov/PLC*.

Advance payment of COVID-19 credits ended. Although you may pay qualified sick and family leave compensation in 2023 for leave taken after March 31, 2020, and before October 1, 2021, you may no longer request an advance payment of any credit on Form 7200, Advance Payment of Employer Credits Due to COVID-19.

Outsourcing payroll duties. Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. Before you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over income taxes and taxes imposed by the Railroad Retirement Tax Act) to a third-party payer, such as a payroll service provider or reporting agent, go to *IRS.gov/OutsourcingPayrollDuties* for helpful information on this topic. For more information on the different types of third-party payer arrangements, see section 16 of Pub. 15.

Correcting a previously filed Form CT-1. If you discover an error on a previously filed Form CT-1, make the correction using Form CT-1 X. Form CT-1 X is filed separately from Form CT-1. For more information, see the Instructions for Form CT-1 X or go to *IRS.gov/CorrectingEmploymentTaxes*.

Change of address. Use Form 8822-B to notify the IRS of an address change.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS). If you don't want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

To get more information about EFTPS or to enroll in

EFTPS, go to *EFTPS.gov* or call 800-555-4477. To contact EFTPS using TRS for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

Paid preparers. If you use a paid preparer to complete Form CT-1, the paid preparer must complete and sign the paid preparer's section of Form CT-1.

Additional information. For more information, see one of the resources discussed next.

- Pub. 15 contains information for withholding, depositing, reporting, and paying over employment taxes.
- Pub. 15-A contains specialized and detailed employment tax information supplementing the basic information provided in Pub. 15.

- Pub. 15-B contains information about the employment tax treatment of various types of noncash compensation.
- Pub. 915 contains the federal income tax rules for social security benefits and equivalent Tier 1 railroad retirement benefits.
- The Railroad Retirement Board (RRB) website at *RRB.gov* contains additional employer reporting information and instructions.

How to get forms and publications. You can download or print most of the forms and publications you may need at *IRS.gov/Forms*. Otherwise, you can go to *IRS.gov/OrderForms* to place an order and have forms mailed to you. The IRS will process your order as soon as possible. Don't resubmit requests you've already sent us. You can get forms and publications faster online.

Where can you get telephone help? You can call the IRS Business and Specialty Tax Line at 800-829-4933 or 800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability) Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time) for answers to your questions about completing Form CT-1 or tax deposit rules.

Photographs of Missing Children

The IRS is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

General Instructions

Purpose of Form CT-1

These instructions give you some background information about Form CT-1. They tell you who must file Form CT-1, how to complete it line by line, and when and where to file it.

Use Form CT-1 to report taxes imposed by the Railroad Retirement Tax Act (RRTA). Use Form 941, Employer's

QUARTERLY Federal Tax Return, or, if applicable, Form 944, Employer's ANNUAL Federal Tax Return, to report federal income taxes withheld from your employees' wages and other compensation.

In accordance with Notice 2021-24, 2021-18 I.R.B. 1122, available at *IRS.gov/irb/2021-18_IRB#NOT-2021-24*, you may have reduced deposits of employment taxes otherwise required to be made that are reported on Form 941 (generally, income tax withholding) in anticipation of claiming the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before October 1, 2021. For more information about qualified sick and family leave compensation, see the line 1 instructions, later. For more information about this credit, see the line 16 and line 17b instructions, later. Because this credit is reported when the 2023 Form CT-1 is filed in 2024, a reduction in deposits of income tax withholding as described above may have resulted in the issuance of a balance due notice and the imposition of penalties and interest when the Form 941 quarterly return was processed.

If you reduced your deposits of employment taxes reported on Form 941 in anticipation of the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before October 1, 2021, and this resulted in those amounts being included as a balance due in a notice, contact us as soon as possible by either (1) writing to the address shown on your notice, or (2) calling the telephone number shown on your notice. If you contact us in writing, include a copy of your notice and the amount of employment tax deposits reported on Form 941 that you reduced in anticipation of the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before October 1, 2021. Whether you owe tax, penalties, and interest will depend upon the credits properly claimed on Form CT-1.

Who Must File

TIP *For purposes of these instructions, all references to "sick pay" mean ordinary sick pay, not “qualified sick leave compensation.”*

File Form CT-1 if you paid one or more employees compensation subject to tax under RRTA.

A payer of sick pay (including a third party) must file Form CT-1 if the sick pay is subject to Tier 1 railroad retirement taxes. Include sick pay payments on lines 8–11 and, if the withholding threshold is met, line 12 of Form CT-1. Follow the reporting procedures for sick pay reporting in section 6 of Pub. 15-A.

If a third-party payer of sick pay is also paying qualified sick leave compensation on behalf of an employer, the third party would be making the payments as an agent of the employer. The employer is required to do the reporting and payment of railroad retirement taxes with respect to the qualified sick leave compensation and claim the credit for the qualified sick leave compensation unless the employer has an agency agreement with the third-party payer that requires the third-party payer to do the collecting, reporting, and/or paying or depositing railroad retirement taxes on the qualified sick leave compensation. If the employer has an agency agreement with the third-party payer, the third-party payer includes the qualified sick leave compensation on the Form CT-1 filed by the third party and claims the sick leave credit on behalf of the employer on Form CT-1.

After you file your first Form CT-1, you must file a return for each year, even if you didn’t pay taxable compensation during the year, until you file a final return.

Disregarded entities and qualified subchapter S subsidiaries (QSubs). Eligible single-owner disregarded entities and QSubs are treated as separate entities for employment tax purposes. Eligible single-member entities that haven’t elected to be taxed as corporations must report and pay employment taxes on compensation paid to their employees using the entities' own names and employer identification numbers

(EINs). See Regulations sections 1.1361-4(a)(7) and 301.7701-2(c)(2)(iv).

Where To File

Send Form CT-1 to:

Department of the Treasury
Internal Revenue Service Center
Kansas City, MO 64999-0048

When To File

File Form CT-1 by February 29, 2024.

Definitions

The terms “employer” and “employee” used in these instructions are defined in section 3231 and in its regulations.

Compensation

Compensation means payment in money, meaning currency issued by a recognized authority as a medium of exchange, for services performed as an employee of one or more employers. It includes payment for time lost as an employee. A few exceptions are described later under *Exceptions*.

Group-term life insurance. Include in compensation the cost of group-term life insurance over $50,000 you provide to an employee. This amount is subject to Tier 1 and Tier 2 taxes, but not to federal income tax withholding. Include this amount on your employee's Form W-2, Wage and Tax Statement.

Former employees for whom you paid the cost of group-term life insurance over $50,000 must pay the employee's share of these taxes with their Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors. You’re not required to collect those taxes. For former employees, you must include on Form W-2 the part of compensation that consists of the cost of group-term life insurance over $50,000. You must also separately report on

Form W-2 the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service. For more information, see section 2 of Pub. 15-B and the General Instructions for Forms W-2 and W-3.

Timing. Compensation is considered paid when it is actually paid or when it is constructively paid. It is constructively paid when it is set apart for the employee, or credited to an account the employee can control, without any substantial limit or condition on how and when the payment is to be made.

Any compensation paid during the current year that was earned in a prior year is taxable at the current year's tax rates; you must include the compensation with the current year's compensation on Form CT-1, lines 1–12, as appropriate. An exception applies to nonqualified deferred compensation that was subject to Tier 1 and Tier 2 tax in a prior year. See the rules for nonqualified deferred compensation plans in section 5 of Pub. 15-A.

Exceptions. Compensation doesn't include the following.

- Certain benefits provided to or on behalf of an employee if at the time the benefits are provided it is reasonable to believe the employee can exclude such benefits from income. For information on what benefits are excludable, see Pub. 15-B. Examples of this type of benefit include:

1. Certain employee achievement awards under section 74(c),
2. Certain scholarship and fellowship grants under section 117,
3. Certain fringe benefits under section 132, and
4. Employer payments to an Archer MSA under section 220 or health savings accounts (HSAs) under section 223.

- Stock or stock options.
- Payments made specifically for traveling or other bona fide and necessary expenses that meet the rules in the regulations under section 62.
- Payments for services performed by a nonresident alien temporarily present in the United States as a nonimmigrant under subparagraphs (F), (J), (M), or (Q) of the Immigration and Nationality Act.
- Compensation under $25 earned in any month by an employee in the service of a local lodge or division of a railway-labor-organization employer.

Exceptions for sickness or accident disability payments. For purposes of employee and employer **Tier 1** taxes, compensation doesn't include sickness or accident disability payments made to or on behalf of an employee or dependents:

- Under a workers' compensation law,

- Under section 2(a) of the Railroad Unemployment Insurance Act for days of sickness due to an on-the-job injury,
- Under the Railroad Retirement Act, or
- More than 6 months after the calendar month the employee last worked.

For purposes of **Tier 2** taxes, compensation doesn't include payments made to or on behalf of an employee or dependents under a sickness or accident disability plan or a medical or hospitalization plan in connection with sickness or accident disability.

Employer and Employee Taxes

Tax Rates and Compensation Bases

Tax Rates	Compensation Paid in 2023
Tier 1	
Employer and Employee: Each pay 6.2% of first....................	$160,200
Tier 1 Medicare	
Employer and Employee: Each pay 1.45% of..	All
Tier 1 Employee Additional Medicare Tax withholding	
Employee: Pays 0.9% on compensation exceeding..........	$200,000
Tier 2	
Employer: Pays 13.1% of first...	$118,800
Employee: Pays 4.9% of first ...	$118,800

Employers must pay both Tier 1 and Tier 2 taxes, except for the Tier 1 Employer tax (line 1) on qualified sick and family leave compensation for leave taken after March 31, 2020, and before April 1, 2021, and the Tier 1 Employee Additional Medicare Tax. Tier 1 tax is divided into two parts. The amount of compensation subject to each tax is different. See the table above for the 2023 tax rates and compensation bases.

Concurrent employment. If two or more related corporations that are rail employers employ the same individual at the same time and pay that individual through a common paymaster that is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement taxes than a single employer would. See Regulations section 31.3121(s)-1 for more information.

Successor employers. Successor employers should see section 3231(e)(2)(C) and Pub. 15 to see if they can use the predecessor's compensation paid against the maximum compensation bases.

Employee Taxes

You must withhold the employee's part of Tier 1 and Tier 2 taxes. See the table under *Employer and Employee Taxes*, earlier, for the tax rates and compensation bases. See *Tips*, later, for information on the employee tax on tips.

Withholding or payment of employee tax by employer. You must collect the employee railroad retirement tax from each employee by withholding it from employee compensation. If you don't withhold the employee tax, you must still pay the tax. If you withhold too much or too little tax because you can't determine the correct amount, correct the amount withheld by an adjustment, credit, or refund according to the applicable regulations.

If you pay the railroad retirement tax for your employee rather than withholding it, the amount of the employee's compensation is increased by the amount of that tax. See Rev. Proc. 83-43,1983-1 C.B. 778, for information on how to figure and report the proper amounts.

Tips. Your employee must report cash tips to you by the 10th day of the month following the month the tips are received. The report should include charged tips you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement. Both directly and indirectly tipped employees must report tips to you. Cash tips must be reported for every month, unless the cash tips for the month are less than $20. Stop collecting the Tier 1 Employee tax when the employee’s compensation and tips for tax year 2023 reach $160,200. Collect the Tier 1 Employee Medicare tax for the whole year on all compensation and tips. Collect the Tier 1 Employee Additional Medicare Tax withholding on compensation and tips that exceed $200,000 for the calendar year.

An employee must furnish you with a written (or electronic) statement of cash tips, signed by the employee, showing (a) their name, address, and social security number; (b) your name and address; (c) the month or period for which the statement is furnished; and (d) the total amount of cash tips. Pub. 1244, Employee's Daily Record of Tips and Report to Employer, a booklet for daily entry of tips and forms to report tips to employers, is available at *IRS.gov/Forms*.

Tips are considered to be paid at the time the employee reports them to you. You must collect both employee railroad retirement tax and federal income tax on cash tips reported to you from the employee's compensation (after withholding employee railroad retirement and federal income tax related to the nontip compensation) or from other funds the employee makes available. Apply the compensation or other funds first to the railroad retirement tax and then to federal income tax. You don't have to pay employer railroad retirement taxes on tips.

If, by the 10th of the month after the month you received an employee's tip income report, you don't have enough employee funds available to withhold the employee tax, you may report the excess amount without withholding the related tax. Include the tips your employees report to you on lines 4, 5, 6, and 7, even if you were unable to withhold the employee's share of tax. Then report the uncollected Tier 1 Employee tax, Tier 1 Employee Medicare tax, Tier 1 Employee Additional Medicare Tax withholding, and Tier 2

Employee tax on tips on line 14. See section 6 of Pub. 15.

Depositing Taxes

For Tier 1 and Tier 2 taxes, you’re either a monthly schedule depositor or a semiweekly schedule depositor. However, see the *$2,500 Rule* and the *$100,000 Next-Day Deposit Rule* under *Exceptions to the Deposit Rules*, later. The terms “monthly schedule depositor” and “semiweekly schedule depositor” identify which set of rules you must follow when a tax liability arises (for example, when you have a payday). They don't refer to how often your business pays its employees or to how often you’re required to make deposits.

If you were a monthly schedule depositor for the entire year, complete the *Monthly Summary of Railroad Retirement Tax Liability* in Part II of Form CT-1. If you were a semiweekly schedule depositor during any part of the year or you accumulated $100,000 or more on any day during a deposit period, you must complete Form 945-A, Annual Record of Federal Tax Liability.

Lookback Period

Before each year begins, you must determine the deposit schedule to follow for depositing Tier 1 and Tier 2 taxes for a calendar year. This is determined from the total taxes reported on your Form CT-1 for the calendar year lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for calendar year 2024 is calendar year 2022.

Use the table below to determine which deposit schedule to follow for 2024.

IF you reported taxes (Form CT-1, line 19) for the lookback period (2022) of...	THEN for 2024 you’re a...

$50,000 or less	Monthly schedule depositor
More than $50,000	Semiweekly schedule depositor

Example. Rose Co. reported Form CT-1 taxes as follows.

- 2022 Form CT-1, line 19—$49,000.
- 2023 Form CT-1, line 19—$52,000.

Rose Co. is a monthly schedule depositor for 2024 because its Form CT-1 taxes for its lookback period (calendar year 2022) weren't more than $50,000. However, for 2025, Rose Co. is a semiweekly schedule depositor because the total taxes exceeded $50,000 for its lookback period (calendar year 2023).

New employer. If you’re a new employer, your taxes for both years of the lookback period are considered to be zero. Therefore, you’re a monthly schedule depositor for the first and second years of your business. However, see *$100,000 Next-Day Deposit Rule*, later.

Adjustments and the lookback rule. To determine the amount of taxes paid for the lookback period, use only the Form CT-1 taxes reported on your original return. Adjustments to a return for a prior period aren't taken into account in determining the taxes for that prior period.

Example. Maple Co. originally reported Form CT-1 taxes of $45,000 for the lookback period (2022). Maple Co. discovered in March 2024 that the tax during the lookback period (2022) was understated by $10,000 and will correct this error with an adjustment on Form CT-1 X filed for 2022.

Maple Co. is a monthly schedule depositor for 2024 because the lookback period Form CT-1 taxes are based on the amount originally reported ($45,000), which wasn't more than $50,000. For purposes of the lookback rule, the $10,000 adjustment doesn't affect either 2022 taxes or 2024 taxes. See Treasury Decision 9405, available at [IRS.gov/irb/2008-32_IRB#TD-9405](IRS.gov/irb/2008-32_IRB#TD-9405).

When To Deposit

Monthly Schedule Depositor

If you’re a monthly schedule depositor, deposit employer and employee Tier 1 and Tier 2 taxes accumulated during a calendar month by the 15th day of the following month.

Example. Spruce Co. is a monthly schedule depositor with seasonal employees. Spruce Co. paid compensation each Friday during January but didn't pay any compensation during February. Under the monthly schedule deposit rule, Spruce Co. must deposit the combined taxes for the January paydays by February 15. Spruce Co. doesn't have a deposit requirement for February (due by March 15) because no compensation was paid and, therefore, Spruce Co. doesn't have a tax liability for the month.

Semiweekly Schedule Depositor

If you’re a semiweekly schedule depositor, use the table below to determine when to make deposits.

Deposit Tier 1 and Tier 2 taxes for payments made on...	No later than...
Wednesday, Thursday, and/or Friday	The following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	The following Friday

Example. Green, Inc., a semiweekly schedule depositor, pays compensation on the last Friday of each month. Although Green, Inc., is a semiweekly schedule depositor,

Green, Inc., will deposit just once a month because Green, Inc., pays compensation only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: Green, Inc.'s taxes for the April 26, 2024 (Friday), payday must be deposited by May 1, 2024 (Wednesday). Under the semiweekly deposit rule, taxes arising on Wednesday through Friday must be deposited by the following Wednesday.

CAUTION *The last day of the calendar year ends the semiweekly deposit period and begins a new one.*

Deposits Due on Business Days Only

If a deposit is required to be made on a day that isn't a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. For example, if a deposit is due on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day). The term “legal holiday” for deposit purposes includes only those legal holidays in the District of Columbia. For a list of legal holidays, see section 11 of Pub. 15.

Semiweekly schedule depositors will always have at least 3 business days following the close of the semiweekly period to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a legal holiday, you have 1 additional day to deposit. For example, if you have Form CT-1 taxes accumulated for payments made on Friday and the following Monday is a legal holiday, the deposit normally due on Wednesday may be made on Thursday (allowing 3 business days to make the deposit).

Exceptions to the Deposit Rules

The two exceptions that apply to the deposit rules are the:

- $2,500 Rule, and
- $100,000 Next-Day Deposit Rule.

$2,500 Rule. If your total Form CT-1 taxes after adjustments and nonrefundable credits (line 19) for the year are less than $2,500 and the taxes are fully paid with a timely filed Form CT-1, no deposits are required. However, if you’re unsure that you will accumulate less than $2,500, deposit under the appropriate deposit rules so that you won't be subject to deposit penalties.

$100,000 Next-Day Deposit Rule. If you accumulate undeposited taxes of $100,000 or more on any day during a deposit period, you must deposit the taxes by the next business day regardless of whether you’re a monthly or semiweekly schedule depositor. If you're a monthly schedule depositor and accumulate a $100,000 tax liability on any day during the deposit period, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year. The $100,000 tax liability threshold requiring a next-day deposit is determined before you consider any reduction of your liability for nonrefundable credits. For more information, including an example, see frequently asked question 17 at *IRS.gov/ETD*.

If you’re a monthly schedule depositor and you accumulate $100,000 or more on any day during the month, you become a semiweekly schedule depositor on the next day for the remainder of the calendar year and for the following year.

Once a semiweekly schedule depositor accumulates $100,000 or more in a deposit period, it must stop accumulating at the end of that day and begin to accumulate anew on the next day. The following examples explain this rule.

Example of $100,000 Next-Day Deposit Rule.

Fir Co. is a semiweekly schedule depositor. On Monday, Fir Co. accumulates taxes of $110,000 and must deposit this amount by Tuesday, the next business day. On Tuesday, Fir Co. accumulates additional taxes of $30,000. Because the $30,000 isn't added to the previous $110,000, Fir Co. must deposit the $30,000 by Friday using the semiweekly deposit schedule.

Example of $100,000 Next-Day Deposit Rule during the first year of business.
Elm, Inc., started its business on Monday, May 6, 2024. Because this was the first year of its business, its Form CT-1 taxes for its lookback period (2022) are considered to be zero, and Elm, Inc., is a monthly schedule

depositor. On Wednesday, May 8, it paid compensation for the first time and accumulated taxes of $40,000. On Friday, May 10, it paid compensation and accumulated taxes of $60,000, bringing its total accumulated (undeposited) taxes to $100,000. Because Elm, Inc., accumulated $100,000 or more on May 10 (Friday), Elm, Inc., must deposit the $100,000 by May 13 (Monday), the next business day. Elm, Inc., became a semiweekly schedule depositor on May 11. Elm, Inc., will be a semiweekly schedule depositor for the rest of 2024 and for 2025.

Example of when $100,000 Next-Day Deposit Rule doesn't apply. Oak Co., a semiweekly schedule depositor, accumulated taxes of $95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated $10,000 on Wednesday (of a Wednesday-through-Friday deposit period). Because the $10,000 was accumulated in a deposit period different from the one in which the $95,000 was accumulated, the $100,000 Next-Day Deposit Rule doesn’t apply. Thus, Oak Co. must deposit $95,000 by Friday and $10,000 by the following Wednesday.

Reducing your deposits for the credit for qualified sick and family leave compensation. Employers eligible to claim the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before October 1, 2021, can reduce their deposits by the amount of their anticipated credit. Employers won't be subject to a failure-to-deposit (FTD) penalty for reducing their deposits if certain conditions are met. See the instructions for line 16 and line 17b, later, for more information on this credit.

For more information on reducing deposits, see Notice 2020-22, 2020-17 I.R.B. 664, available at *IRS.gov/irb/2020-17_IRB#NOT-2020-22* and *Notice 2021-24.* See the instructions for Part II, later, for instructions on how to adjust your tax liabilities reported on Part II or Form 945-A for nonrefundable credits.

Electronic Deposit Requirement

You must use EFT to make all federal tax deposits. Generally, an EFT is made using EFTPS. To get more information about EFTPS or to enroll in EFTPS, go to *EFTPS.gov* or call 800-555-4477. To contact EFTPS using TRS for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966.

For an EFTPS deposit to be on time, you must submit the deposit by 8 p.m. Eastern time the day before the date the deposit is due.

Same-day wire payment option. If you fail to submit a deposit transaction on EFTPS by 8 p.m. Eastern time the day before the date a deposit is due, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS) to make a same-day wire payment. To use the same-day wire payment method, you will need to make arrangements with your financial institution ahead of time. Please check with your financial institution regarding availability, deadlines, and costs. Your financial institution may charge you a fee for payments made this way. To learn more about the information you will need to give your financial institution to make a same-day wire payment, go to *IRS.gov/SameDayWire*.

Accuracy of Deposits Rule. You’re required to deposit 100% of your railroad retirement taxes on or before the deposit due date. However, penalties won't be applied for depositing less than 100% if both of the following conditions are met.

1. Any deposit shortfall doesn't exceed the greater of $100 or 2% of the amount of taxes otherwise required to be deposited.
2. The deposit shortfall is paid or deposited by the shortfall makeup date for each type of depositor as described below.

- **Monthly schedule depositor.** Deposit the shortfall or pay it with your return by the due date of Form CT-1. You may pay the shortfall with Form CT-1 even if the amount is $2,500 or more.
- **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of the first Wednesday or Friday on or after the 15th of the month following the month in which the shortfall occurred. For example, if a semiweekly schedule depositor has a

deposit shortfall during February 2024, the shortfall makeup date is March 15, 2024 (Friday).

Penalties and Interest

The law provides penalties for failure to file a return, late filing of a return, late payment of taxes, failure to make deposits, and late deposits unless filing and/or paying late is due to reasonable cause and not due to willful neglect. Interest is charged on taxes paid late at the rate set by law. For more information, see Pub. 15. Deposit or pay your taxes when they are due, unless you meet the requirements discussed in *Notice 2020-22* and *Notice 2021-24*.

If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable cause criteria. Don't attach an explanation when you file your return.

Use Form 843 to request abatement of assessed penalties or interest. Don't request abatement of assessed penalties or interest on Form CT-1 or Form CT-1 X.

Order in which deposits are applied. Generally, tax deposits are applied first to the most recent tax liability within the specified tax period to which the deposit relates. If you receive an FTD penalty notice, you may designate how your payment is to be applied in order to minimize the amount of the penalty. You must respond within 90 days of the date of the notice. Follow the instructions on the notice you received. See Rev. Proc. 2001-58 for more information. You can find Rev. Proc. 2001-58 on page 579 of Internal Revenue Bulletin 2001-50 at *IRS.gov/pub/irs-irbs/irb01-50.pdf*.

Trust fund recovery penalty. If taxes that must be withheld (that is, trust fund taxes) aren't withheld or aren't deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid trust fund tax. If these unpaid taxes can't be immediately collected from the employer or business, the trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. For more information, see *Trust Fund Recovery Penalty* in section 11 of Pub. 15. The trust fund recovery penalty won't apply to any amount of trust fund taxes an employer holds back in anticipation of any credits they are entitled to.

Specific Instructions

Final Return

If you stop paying taxable compensation and won't have to file Form CT-1 in the future, you must file a final return and check the final return box at the top of Form CT-1 under “2023.” The final return should be accompanied by a statement providing the last date on which you paid compensation that you reported on Form CT-1, the address at which the records for your Forms CT-1 will be kept, and the name of the person keeping the records. If the business has been transferred to another person, the statement should include the name and address of the transferee and the date of the transfer. If the business wasn't transferred or the transferee isn't known, the statement should so state.

CAUTION *Processing of your return may be delayed if you don't provide the required amounts in the* Compensation *and* Tax *columns.*

Line 1—Tier 1 Employer Tax

Enter the compensation (other than tips and sick pay), including qualified sick leave compensation and qualified family leave compensation paid in 2023 for leave taken after March 31, 2021, and before October 1, 2021, subject to Tier 1 Employer tax in the *Compensation* column. Don't include qualified sick leave compensation paid in 2023 or qualified family leave compensation paid in 2023 for leave taken after March 31, 2020, and before April 1, 2021. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than $160,200 per employee.

Qualified Sick Leave Compensation and Qualified Family Leave Compensation

Qualified sick leave compensation. For purposes of the credit for qualified sick and family leave compensation, qualified sick leave compensation is compensation (determined without regard to the exclusions under section 3231(e)(1)) paid under the Emergency Paid Sick Leave Act (EPSLA) or the Emergency Family and Medical Leave Expansion Act (Expanded FMLA) as enacted under the FFCRA and amended for purposes of the ARP. See the instructions for line 16 for information about the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before April 1, 2021, and the instructions for line 17b for information about the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2021, and before October 1, 2021.

Although qualified sick leave compensation and qualified family leave compensation are defined as compensation determined without regard to the exclusions under section 3231(e)(1) for purposes of the credit for qualified sick and family leave compensation, don't include any compensation otherwise excluded under section 3231(e)(1) when reporting qualified sick leave compensation and qualified family leave compensation on lines 1, 2, 3, 4, 5, 6, and 7.

EPSLA. Employers with fewer than 500 employees and, for leave taken after March 31, 2021, and before October 1, 2021, certain governmental employers without regard to number of employees (except for the federal government and its agencies and instrumentalities unless described in section 501(c)(1)) are entitled to a credit if they provide paid sick leave to employees that otherwise meets the requirements of the EPSLA. Under the EPSLA, as amended for purposes of the ARP, compensation is qualified sick leave compensation if paid to employees that are unable to work or telework before October 1, 2021, because the employee:

1. Is subject to a federal, state, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;

3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis; or, for leave taken after March 31, 2021, and before October 1, 2021, is seeking or awaiting the results of a diagnostic test for, or a medical diagnosis of, COVID-19 (and the employee has been exposed to COVID-19 or the employee's employer has requested such test or diagnosis), or the employee is obtaining immunizations related to COVID-19 or recovering from an injury, disability, illness, or condition related to such immunization;
4. Is caring for an individual subject to an order described in (1) or who has been advised as described in (2);
5. Is caring for son or daughter because the school or place of care for that child has been closed, or the childcare

provider for that child is unavailable, due to COVID-19 precautions; or

6. Is experiencing any other substantially similar condition specified by the U.S. Department of Health and Human Services, which for leave taken after March 31, 2021, and before October 1, 2021, includes to accompany an individual to obtain immunization related to COVID-19, or to care for an individual who is recovering from any injury, disability, illness, or condition related to the immunization.

Son or daughter. A son or daughter must generally have been under 18 years of age or incapable of self-care because of a mental or physical disability. A son or daughter includes a biological child, adopted child, stepchild, foster child, legal ward, or child for whom the employee assumes parental status and carries out the obligations of a parent.

Limits on qualified sick leave compensation. The EPSLA, as amended for purposes of the ARP, provides different limitations for different circumstances under which qualified sick leave compensation is paid. For paid sick leave qualifying under (1), (2), or (3) above, the amount of qualified sick leave compensation is determined at the employee's regular rate of pay, but the compensation may not exceed $511 for any day (or portion of a day) for which the individual is paid sick leave. For paid sick leave qualifying under (4), (5), or (6) above, the amount of qualified sick leave compensation is determined at two-thirds the employee's regular rate of pay, but the compensation may not exceed $200 for any day (or portion of a day) for which the individual is paid sick leave. The EPSLA also limits each individual to a maximum of up to 80 hours of paid sick leave in total for leave taken after March 31, 2020, and before April 1, 2021. The ARP resets this limit at 80 hours of paid sick leave for leave taken after March 31, 2021, and before October 1, 2021. Therefore, for leave taken after March 31, 2020, and before April 1, 2021, the maximum amount of paid sick leave compensation can't exceed $5,110 for an employee for leave under (1), (2), or (3), and it can't exceed $2,000 for an employee for leave under (4), (5), or (6). These maximum amounts also reset and apply to leave taken after March 31, 2021, and before October 1, 2021.

For more information about qualified sick leave compensation, go to *IRS.gov/PLC*.

Qualified family leave compensation. For purposes of the credit for qualified sick and family leave compensation, qualified family leave compensation is compensation (determined without regard to the exclusions under section 3231(e)(1)) paid under the Expanded FMLA as enacted under the FFCRA and amended for purposes of the ARP. However, some compensation eligible for the credit should not be reported as taxable compensation on lines 1, 2, 3, 4, 5, 6, and 7. See the *Caution*, earlier, for more information. See the instructions for line 16 for information about the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2020, and before April 1, 2021, and the instructions for line 17b for information about the credit for qualified sick and family leave compensation paid in 2023 for leave taken after March 31, 2021, and before October 1, 2021.

Expanded FMLA. Employers with fewer than 500 employees and, for leave taken after March 31, 2021, and before October 1, 2021, certain governmental employers without regard to number of employees (except for the federal government and its agencies and instrumentalities unless described in section 501(c)(1)) are entitled to a credit under the FFCRA, as amended for purposes of the ARP,