



Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms** and do **not** rely on draft forms, instructions, and publications for filing. We do **not** release draft forms until we believe we have incorporated all changes (except when explicitly stated on this coversheet). However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions generally are subject to OMB approval before they can be officially released, so we post only drafts of them until they are approved. Drafts of instructions and publications usually have some changes before their final release.

Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). All information about all forms, instructions, and pubs is at [IRS.gov/Forms](https://www.irs.gov/Forms).

Almost every form and publication has a page on IRS.gov with a friendly shortcut. For example, the Form 1040 page is at [IRS.gov/Form1040](https://www.irs.gov/Form1040); the Pub. 501 page is at [IRS.gov/Pub501](https://www.irs.gov/Pub501); the Form W-4 page is at [IRS.gov/W4](https://www.irs.gov/W4); and the Schedule A (Form 1040/SR) page is at [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA). If typing in a link above instead of clicking on it, be sure to type the link into the address bar of your browser, not a Search box.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or publications at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product.

If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).



Instructions for Form CT-1

Employer's Annual Railroad Retirement Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

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](https://www.irs.gov/CT1).

What's New

Changes to tax rates and compensation bases. For the 2020 tax rates and compensation bases, see [Employer and Employee Taxes](#), later.

Changes to Form CT-1 for coronavirus (COVID-19) related employment tax credits and other tax relief. The following significant changes have been made to Form CT-1 to allow for the reporting of new employment tax credits and other tax relief related to COVID-19.

- The new credit for qualified sick and family leave compensation is reported on line 16 and, if applicable, line 23. Qualified sick and family leave compensation isn't treated as compensation for the Tier 1 Employer tax (line 1). The qualified compensation is subject to the Tier 1 Employer Medicare tax (line 2), Tier 1 Employee tax (line 4), Tier 1 Employee Medicare tax (line 5), and Tier 1 Employee Additional Medicare Tax (line 6). Qualified sick and family leave compensation is subject to Tier 2 tax for both the employer and employee (lines 3 and 7). Qualified health plan expenses allocable to sick and family leave compensation are reported on lines 31 and 33. See the instructions for [line 16](#) for information about the new credit for qualified sick and family leave compensation.
- The new employee retention credit is reported on line 17 and, if applicable, line 24. Qualified compensation (excluding qualified health plan expenses) for the employee retention credit is reported on line 34. Qualified health plan expenses allocable to the qualified compensation for the employee retention credit are reported on line 35. Qualified compensation for the employee retention credit is subject to Tier 1 and Tier 2 taxes reported on lines 1 through 7. See the instructions for [line 17](#) for information about the new employee retention credit.
- Employers, including government employers, can defer the deposit of the Tier 1 employer taxes reported on lines 1 and 8 that are due on or after March 27, 2020, and before January 1, 2021, as well as payment due for these taxes on compensation paid on or after March 27, 2020, and before January 1, 2021. The amount of deferral is reported on line 21. See the instructions for [line 21](#) for more information.
- Employers could defer the withholding and payment of the Tier 1 employee taxes reported on lines 4 and 10 on compensation paid on or after September 1, 2020, and before January 1, 2021, but only if the amount of compensation for a biweekly pay period was less than \$4,000 (or an equivalent amount for other pay periods). The amount of deferral is reported on line 22. See the instructions for [line 22](#) for more information.

- Employers that requested an advance of the sick and family leave credit and/or the employee retention credit would have filed a Form 7200, Advance Payment of Employer Credits Due to COVID-19. The amount of all advances received from Forms 7200 filed for the year is reported on line 26. See the instructions for [line 26](#) for more information.

- The credit for qualified sick and family leave compensation (reported on lines 16 and 23) and the employee retention credit (reported on lines 17 and 24) are figured on [Worksheet 1](#).

Forthcoming notice to modify Notice 2020-65. Notice 2020-65, 2020-38 I.R.B. 567, available at [IRS.gov/irb/2020-38_IRB#NOT-2020-65](https://www.irs.gov/irb/2020-38_IRB#NOT-2020-65), is referenced throughout these instructions. Notice 2020-65 will be modified by a future notice to discuss changes under section 274 of the COVID-related Tax Relief Act of 2020.

Reminders

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](https://www.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](https://www.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](https://www.eftps.gov), or call 800-555-4477 or 800-733-4829 (TDD). 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 some 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® \(NCMEC\)](http://www.nccmec.org). 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 2020-22, 2020-17 I.R.B. 664, available at IRS.gov/irb/2020-17_IRB#NOT-2020-22, 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 and/or the employee retention credit. For more information about qualified sick and family leave compensation, see the [line 1](#) instructions, later. For more information about these

credits, see the [line 16](#) and [line 17](#) instructions, later. Because these credits are reported when the 2020 Form CT-1 is filed in 2021, 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 and/or the employee retention credit for quarters in 2020, 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 and/or the employee retention credit. 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:

When To File

File Form CT-1 by March 1, 2021.

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 2020
<u>Tier 1</u>	
Employer and Employee: Each pay 6.2% of first	\$137,700
<u>Tier 1 Medicare</u>	
Employer and Employee: Each pay 1.45% of	All
<u>Tier 1 Employee Additional Medicare Tax withholding</u>	
Employee: Pays 0.9% on compensation exceeding	\$200,000
<u>Tier 2</u>	
Employer: Pays 13.1% of first	\$102,300
Employee: Pays 4.9% of first	\$102,300

Employer Taxes

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 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 2020 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 his or her compensation and tips for tax year 2020 reach \$137,700. 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) his or her 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](https://www.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 2021 is calendar year 2019.

Use the table below to determine which deposit schedule to follow for 2021.

IF you reported taxes (Form CT-1, line 15) for the lookback period (2019) of...	THEN for 2021 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.
- 2019 Form CT-1, line 15—\$49,000.
 - 2020 Form CT-1, line 19—\$52,000.

Rose Co. is a monthly schedule depositor for 2021 because its Form CT-1 taxes for its lookback period (calendar year 2019) weren't more than \$50,000. However, for 2022, Rose Co. is a semiweekly schedule depositor because the total taxes exceeded \$50,000 for its lookback period (calendar year 2020).

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 (2019). Maple Co. discovered in March 2021 that the tax during the lookback period (2019) was understated by \$10,000 and will correct this error with an adjustment on Form CT-1 X filed for 2019.

Maple Co. is a monthly schedule depositor for 2021 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 2019 taxes or 2021 taxes. See Treasury Decision 9405, available at [IRS.gov/irb/2008-32_IRB#TD-9405](https://www.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 May but didn't pay any compensation during June. Under the monthly schedule deposit rule, Spruce Co. must deposit the combined taxes for the May paydays by June 15. Spruce Co. doesn't have a deposit requirement for June (due by July 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 30, 2021 (Friday), payday must be deposited by May 5, 2021 (Wednesday). Under the semiweekly deposit rule, taxes arising on Wednesday through Friday must be deposited by the following Wednesday.



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. The \$100,000 tax liability threshold requiring a next-day deposit is determined before you consider any reduction of your liability for nonrefundable credits. See [IRS.gov/ETD](https://www.irs.gov/ETD) for more information.

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 3, 2021. Because this was the first year of its business, its Form CT-1 taxes for its lookback period (2019) are considered to be zero, and Elm, Inc., is a monthly schedule depositor. On Wednesday, May 5, it paid compensation for the first time and accumulated taxes of \$40,000. On Friday, May 7, 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 7 (Friday), Elm, Inc., must deposit the \$100,000 by May 10 (Monday), the next business day. Elm, Inc., became a semiweekly schedule depositor on May 8. Elm, Inc., will be a semiweekly schedule depositor for the rest of 2021 and for 2022.

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.

Deferring your deposits. Employers can defer the deposit of the Tier 1 employer taxes reported on lines 1 and 8 that are due on or after March 27, 2020, and before January 1, 2021, as well as payment due for these taxes for compensation paid on or after March 27, 2020, and before January 1, 2021. The deferral applies before any of the nonrefundable credits claimed on line 16 or 17. However, the deferral doesn't reduce the amount of the taxes that are used to figure those nonrefundable credits. See the instructions for [line 21](#) for more information about the deferral of these employer taxes. Employers could also defer the withholding and payment of the Tier 1 employee taxes reported on lines 4 and 10 for compensation paid on or after September 1, 2020, and on or before December 31, 2020, but only if the amount of compensation for a biweekly pay period was less than \$4,000 (or an equivalent amount for other pay periods). The amount of the employee deferral is reported on line 22. See the instructions for [line 22](#) for more information.

Reducing your deposits for COVID-19 credits. Employers eligible to claim the credit for qualified sick and family leave compensation and/or the employee retention credit can reduce their deposits by the amount of their anticipated credits. 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 17](#) for more information on these credits. This reduction in deposits is in addition to the ability employers have to reduce their deposits by the amount of the Tier 1 employer taxes they defer. 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 [IRS.gov/ETD](#). Also see [IRS.gov/ERC](#) and [IRS.gov/PLC](#) for more information, including examples, about reducing deposits. 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 or 800-733-4829 (TDD). 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 May 2021, the shortfall makeup date is June 16, 2021 (Wednesday).

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](#) or [IRS.gov/ETD](#), or you have chosen to use the relief provided in Notice 2020-65, 2020-38 I.R.B. 567, available at [IRS.gov/irb/2020-38_IRB#NOT-2020-65](#).

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. It also won't apply to applicable taxes properly deferred under [Notice 2020-65](#) before January 1, 2022.

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 "2020." 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.



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



Don't reduce your Tier 1 Employer compensation or tax by the deferred amount of the Tier 1 Employer tax reported on line 21.

Enter the compensation (other than tips and sick pay), including qualified compensation (other than qualified health plan expenses) for the employee retention credit, subject to Tier 1 Employer tax in the *Compensation* column. Don't include qualified sick leave compensation or qualified family leave compensation. 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 \$137,700 per employee. For more information on qualified compensation for the employee retention credit, see the instructions for [line 17](#), later.

Qualified Sick Leave Compensation and Qualified Family Leave Compensation

Qualified sick leave compensation. Qualified sick leave compensation is compensation paid under the Emergency Paid Sick Leave Act (EPSLA) as enacted under the [Families First Coronavirus Response Act](#) (FFCRA). See the instructions for [line 16](#) for information about the credit for qualified sick and family leave compensation.

Emergency Paid Sick Leave Act (EPSLA). Under the EPSLA, certain government employers and private employers with fewer than 500 employees provide paid sick leave to employees unable to work or telework. The EPSLA required such employers to provide leave to such employees after March 31, 2020, and before January 1, 2021. The COVID-related Tax Relief Act of 2020 extended the periods

of leave for which employers may continue to claim tax credits for providing such leave starting from January 1, 2021 through March 31, 2021, although the requirement that employers provide the leave still expired on December 31, 2020. Employers provide leave under the EPSLA to employees unable to work or telework 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;
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 a child if the school or place of care has been closed, or the childcare provider 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.



Government employers aren't eligible for the credit for qualified sick and family leave compensation; however, government employers still aren't liable for the Tier 1 Employer tax (line 1) on the qualified sick leave compensation paid to employees.

Limits on qualified sick leave compensation. The EPSLA 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 for the year. Therefore, the maximum amount of paid sick leave compensation for the year 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). For more information from the Department of Labor on these requirements and limits, see [DOL.gov/agencies/whd/pandemic](#).

For more information about qualified sick leave compensation, go to [IRS.gov/PLC](#).

Qualified family leave compensation. Qualified family leave compensation is compensation paid under the [Emergency Family and Medical Leave Expansion Act](#) as enacted under the FFCRA. See the instructions for [line 16](#) for information about the credit for qualified sick and family leave compensation.

Emergency Family and Medical Leave Expansion Act. Under the Emergency Family and Medical Leave Expansion Act, certain government employers and private employers with fewer than 500 employees provide paid family leave under the Family and Medical Leave Act of 1993 to an employee who has been employed for at least 30 calendar days and is unable to work or telework. The Emergency Family and Medical Leave Expansion Act required such

employers to provide leave to such employees after March 31, 2020, and before January 1, 2021. The COVID-related Tax Relief Act of 2020 extended the periods of leave for which employers may continue to claim tax credits for providing such leave starting from January 1, 2021, through March 31, 2021, although the requirement that employers provide the leave still expired on December 31, 2020. The Emergency Family and Medical Leave Expansion Act covers periods of leave during which an employee is unable to work or telework due to the need to care for a child because the school or place of care has been closed, or the childcare provider is unavailable, due to COVID-19 related reasons. The first 10 days for which an employee takes leave may be unpaid. During this period, employees may use other forms of paid leave, such as qualified sick leave, accrued sick leave, annual leave, or other paid time off. After an employee takes leave for 10 days, the employer provides the employee paid leave (that is, qualified family leave compensation) for up to 10 weeks. For more information from the Department of Labor on these requirements, possible exceptions, and the limitations discussed later, see [DOL.gov/agencies/whd/pandemic](https://www.dol.gov/agencies/whd/pandemic).



Government employers aren't eligible for the credit for qualified sick and family leave compensation; however, government employers still aren't liable for the Tier 1 Employer tax (line 1) on the qualified family leave compensation paid to employees.

Rate of pay and limit on compensation. The rate of pay must be at least two-thirds of the employee's regular rate of pay (as determined under the Fair Labor Standards Act of 1938), multiplied by the number of hours the employee otherwise would have been scheduled to work. The qualified family leave compensation can't exceed \$200 per day or \$10,000 in the aggregate per employee for the year.

For more information about qualified family leave compensation, go to [IRS.gov/PLC](https://www.irs.gov/PLC).

Line 2—Tier 1 Employer Medicare Tax

Enter the compensation (other than tips and sick pay), including qualified compensation (other than qualified health plan expenses) for the employee retention credit, subject to Tier 1 Employer Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column.

Line 3—Tier 2 Employer Tax

Enter the compensation (other than tips), including qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit, subject to Tier 2 Employer tax in the *Compensation* column. Don't enter more than \$102,300 per employee. Multiply by 13.1% and enter the result in the *Tax* column.

Line 4—Tier 1 Employee Tax



Don't reduce the Tier 1 Employee compensation or tax by the deferred amount of the Tier 1 Employee tax reported on line 22.

Enter the compensation, including tips reported (but excluding sick pay), qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit, subject to Tier 1 Employee tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the

Compensation column for lines 4 and 10 combined may not be more than \$137,700 per employee.

Stop collecting the 6.2% Tier 1 **Employee** tax when the employee's compensation (including sick pay), tips, qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit reach the maximum for the year (\$137,700 for 2020). However, your liability for Tier 1 **Employer** tax on compensation continues until the compensation (including sick pay), and qualified compensation (other than qualified health plan expenses) for the employee retention credit, but **not including tips**, totals \$137,700 for the year.

Line 5—Tier 1 Employee Medicare Tax

Enter the compensation, including tips reported (but excluding sick pay), qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit subject to Tier 1 Employee Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column. For information on reporting tips, see [Tips](#), earlier.

Line 6—Tier 1 Employee Additional Medicare Tax Withholding

Enter the compensation, including tips reported (but excluding sick pay), qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit, that is subject to Tier 1 Employee Additional Medicare Tax withholding. You're required to begin withholding Tier 1 Employee Additional Medicare Tax in the pay period in which you pay compensation in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Tier 1 Employee Additional Medicare Tax is only imposed on the employee. There is no employer share of Tier 1 Additional Medicare Tax. All compensation (including sick pay) that is subject to Tier 1 Medicare tax is subject to Tier 1 Employee Additional Medicare Tax if paid in excess of the \$200,000 withholding threshold.

Go to [IRS.gov/ADMT](https://www.irs.gov/ADMT) for more information on Tier 1 Employee Additional Medicare Tax.

Line 7—Tier 2 Employee Tax

Enter the compensation, including tips reported, qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit, subject to Tier 2 Employee tax in the *Compensation* column. Only the first \$102,300 of the employee's compensation (including tips, qualified sick leave compensation, qualified family leave compensation, and qualified compensation (other than qualified health plan expenses) for the employee retention credit) for 2020 is subject to this tax. Multiply by 4.9% and enter the result in the *Tax* column. For information on reporting tips, see [Tips](#), earlier.



Any compensation paid during the current year that was earned in prior years (reported to the Railroad Retirement Board on Form BA-4, Report of Creditable Compensation Adjustments) is taxable at the current year tax rates, unless special timing rules for nonqualified deferred compensation apply. See Pub. 15-A. Include such compensation with current year compensation on lines 1–7, as appropriate.

Lines 8–12—Tier 1 Taxes on Sick Pay



Don't include qualified sick leave compensation, qualified family leave compensation, or qualified compensation for the employee retention credit on lines 8 through 12. Don't reduce your Tier 1 Employer compensation or tax for sick pay on line 8 by the deferred amount of the Tier 1 Employer tax reported on line 21. Don't reduce the Tier 1 Employee compensation or tax for sick pay on line 10 by the deferred amount of the Tier 1 Employee tax reported on line 22.

Enter any sick pay payments during the year that are subject to Tier 1 taxes, Tier 1 Medicare taxes, and Tier 1 Employee Additional Medicare Tax withholding in the *Compensation* column. Multiply by the rate for the line and enter the result in the *Tax* column for that line. For Tier 1 Employer taxes, the total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than \$137,700 per employee. For Tier 1 Employee taxes, the total amount listed in the *Compensation* column for lines 4 and 10 combined may not be more than \$137,700 per employee. Tier 1 Medicare taxes aren't subject to a dollar limitation.

All compensation (including sick pay) that is subject to Tier 1 Medicare tax is subject to Tier 1 Employee Additional Medicare Tax if paid in excess of the \$200,000 withholding threshold.

If you're a railroad employer paying your employees sick pay, or a third-party payer who didn't notify the employer of the payments (thereby subject to the employee and employer tax), make entries on lines 8–12. If you're subject to only the employer or employee tax, complete only the applicable lines. Multiply by the appropriate rates and enter the results in the *Tax* column.

Line 13—Total Tax Based on Compensation

Add lines 1 through 12 and enter the result on line 13.

Line 14—Adjustments to Taxes Based on Compensation



Don't use line 14 for prior period adjustments. Make all prior period adjustments on Form CT-1 X.

Enter on line 14:

- A fractions-of-cents adjustment (see [Adjustment for fractions of cents](#), later);
- Credits for overpayments of penalty or interest paid on tax for earlier years; and
- Any uncollected Tier 1 Employee tax, Tier 1 Employee Medicare tax, Tier 1 Employee Additional Medicare Tax, and Tier 2 Employee tax on tips.

Enter the total of these adjustments in the *Tax* column. If you're reporting both an addition and a subtraction, enter only the difference between the two on line 14. If the net

adjustment is negative, report the amount on line 14 using a minus sign, if possible. If your computer software doesn't allow the use of minus signs, you may use parentheses.

Don't include on line 14 any 2019 overpayment that is applied to this year's return (this is included on line 20).

Required statement. Except for adjustments for fractions of cents, explain amounts entered on line 14 in a separate statement. Include your name, EIN, calendar year of the return, and "Form CT-1" on each page you attach. Include in the statement the following information.

- An explanation of the item the adjustment is intended to correct showing the compensation subject to Tier 1 and Tier 2 taxes and their respective tax rates.
- The amount of the adjustment.
- The name and account number of any employee from whom employee tax was undercollected or overcollected.
- How you and the employee have settled any undercollection or overcollection of employee tax.

Adjustment for fractions of cents. If there is a small difference between the total employee tax (lines 4–7 and 10–12) and the total actually withheld from employee compensation including tips, it may be caused by rounding to the nearest cent each time you figured payroll. The difference, positive or negative, is your fractions-of-cents adjustment to be reported on line 14. If the actual amount withheld is less, report a negative adjustment in the entry space. If the actual amount is more, report a positive adjustment.



If this is the only entry on line 14, you're not required to attach a statement explaining the adjustment.

Line 15—Total Taxes After Adjustments

Combine the amounts shown on lines 13 and 14 and enter the result on line 15.

Line 16—Nonrefundable Portion of Credit for Qualified Sick and Family Leave Compensation



Form CT-1 and these instructions use the terms "nonrefundable" and "refundable" when discussing credits. The term "nonrefundable" means the portion of the credit which is limited by law to the amount of certain Tier 1 employer taxes. The term "refundable" means the portion of the credit which is in excess of these taxes.

Businesses and tax-exempt organizations with fewer than 500 employees that provide paid sick leave under the [EPSLA](#) and/or provide paid family leave under the [Emergency Family and Medical Leave Expansion Act](#) are eligible to claim the credit for qualified sick and family leave compensation for the period after March 31, 2020, and before April 1, 2021. Any credit claimed on your 2020 Form CT-1 is limited to compensation for the period March 31, 2020, and before January 1, 2021. Credit for compensation for the period beginning after December 31, 2020, will be claimed on your 2021 Form CT-1. Enter the nonrefundable portion of the credit for qualified sick and family leave compensation from Worksheet 1, Step 2, line 2j. The credit for qualified sick and family leave compensation consists of the qualified sick leave compensation, the qualified family leave compensation, the [qualified health plan expenses](#) allocable to that

compensation, and the Tier 1 Employer Medicare tax allocable to that compensation. The nonrefundable portion of the credit is limited to the Tier 1 Employer tax (line 1) and Tier 1 Employer tax—Sick Pay (line 8).

Any credit in excess of the remaining amount of the Tier 1 Employer tax (line 1) and Tier 1 Employer tax—Sick Pay (line 8) is refundable and reported on Form CT-1, line 23. For more information on the credit for qualified sick and family leave compensation, go to [IRS.gov/PLC](https://www.irs.gov/PLC).

Qualified health plan expenses allocable to qualified sick leave and family leave compensation. The credit for qualified sick leave compensation and qualified family leave compensation is increased to cover the qualified health plan expenses that are properly allocable to the qualified leave compensation for which the credit is allowed. These qualified health plan expenses are amounts paid or incurred by the employer to provide and maintain a group health plan but only to the extent such amounts are excluded from the employees' income as coverage under an accident or health plan. The amount of qualified health plan expenses generally includes both the portion of the cost paid by the employer and the portion of the cost paid by the employee with pre-tax salary reduction contributions. However, the qualified health plan expenses shouldn't include amounts that the employee paid for with after-tax contributions. For more information, go to [IRS.gov/PLC](https://www.irs.gov/PLC).

TIP *You must include the full amount (both the nonrefundable and refundable portions) of the credit for qualified sick and family leave compensation in your gross income for the tax year that includes the last day of any calendar quarter in which a credit is allowed. You can't use the same compensation for the employee retention credit and the credits for paid sick and family leave.*

Line 17—Nonrefundable Portion of Employee Retention Credit

Enter the nonrefundable portion of the employee retention credit from Worksheet 1, Step 3, line 3h. For calendar year 2020, the employee retention credit is 50% of the qualified compensation you paid to your employees between March 13, 2020, and December 31, 2020. Qualified compensation includes [qualified health plan expenses for the employee retention credit](#). The nonrefundable portion of the credit is limited to the Tier 1 Employer tax (line 1) and Tier 1 Employer tax—Sick pay (line 8) after that share is first reduced by any credit claimed for the nonrefundable portion of the credit for qualified sick and family leave compensation. Any credit in excess of the remaining amount of the Tier 1 Employer tax (line 1) and Tier 1 Employer tax—Sick pay (line 8), is refundable and reported on Form CT-1, line 24. For more information on the employee retention credit, go to [IRS.gov/ERC](https://www.irs.gov/ERC).

Qualified compensation for the employee retention credit. For calendar year 2020, the tax credit is equal to 50% of qualified compensation paid to employees between March 13, 2020, and December 31, 2020. Qualified compensation, including qualified health plan expenses, is limited to a maximum of \$10,000 for each employee for the cumulative total of 2020. Qualified compensation is compensation paid to certain employees during any period in a quarter in which your operations are fully or partially suspended due to a government order or in which you have had a significant decline in gross receipts. For calendar year 2020, the law provides that the significant decline in gross

receipts is the period beginning with any quarter in which your gross receipts are less than 50% of what they were in the same calendar quarter in 2019 and ending with the quarter that follows the first quarter beginning after the quarter in which your gross receipts were greater than 80% of what they were in the same calendar quarter in 2019.

For calendar year 2020, the compensation and qualified health plan expenses considered in calculating your credit depend on the size of your workforce. Eligible employers that had an average number of 100 or fewer full-time employees during 2019 count compensation paid to all their employees and the qualified health plan expenses paid or incurred for all employees during any period in the quarter in which operations are fully or partially suspended due to a government order or during a quarter in which there has been a significant decline in gross receipts. Eligible employers that had an average number of more than 100 full-time employees in 2019 may count only compensation paid to employees for time that the employees weren't working, and qualified health plan expenses paid or incurred by the employer allocable to the time those employees weren't working, due to the suspension or significant decline in gross receipts; these eligible employers can count only compensation that doesn't exceed what the employer would have paid that employee for working for the same amount of time during the prior 30 days. More information on the employee retention credit is available at [IRS.gov/ERC](https://www.irs.gov/ERC).

Qualified health plan expenses for the employee retention credit. Qualified compensation for the employee retention credit includes qualified health plan expenses. Qualified health plan expenses are amounts paid or incurred by the employer to provide and maintain a group health plan but only to the extent such amounts are excluded from the employees' income as coverage under an accident or health plan. The amount of qualified health plan expenses taken into account in determining the amount of qualified compensation generally includes both the portion of the cost paid by the employer and the portion of the cost paid by the employee with pre-tax salary reduction contributions. However, the qualified health plan expenses shouldn't include amounts that the employee paid for with after-tax contributions. Generally, the qualified health plan expense is the amount that is allocable to the hours for which the employees receive qualified compensation for the employee retention credit. However, qualified health plan expenses for purposes of the employee retention credit may include health plan expenses allocable to the applicable periods even if the employer isn't paying any qualified compensation to the employee. For more information, see the frequently asked questions for qualified health plan expenses, available at [IRS.gov/ERC](https://www.irs.gov/ERC).

Line 18—Total Nonrefundable Credits

Add lines 16 and 17. Enter the total on line 18.

Line 19—Total Taxes After Adjustments and Nonrefundable Credits

Subtract line 18 from line 15 and enter the result on line 19.

Line 20—Total Deposits for the Year

Enter the total Form CT-1 deposits for the year, including any overpayment that you applied from filing Form CT-1 X and any overpayment that you applied from your 2019 return.

Line 21—Deferred Amount of the Tier 1 Employer Tax

Enter the amount of the Tier 1 Employer tax (line 1) and Tier 1 Employer tax—Sick pay (line 8) that you're deferring. Employers, including government employers, can defer the deposit of these taxes due on or after March 27, 2020, and before January 1, 2021, as well as payment due for these taxes on compensation paid on or after March 27, 2020, and before January 1, 2021. The taxes that can be deferred are included on lines 1 and 8. However, you determine the amount that can be deferred by only considering tax on compensation related to deposits and payments due on or after March 27, 2020. Don't reduce the amount reported on line 21 by any credits claimed on lines 16 and 17. However, you can't defer tax that you have already paid; therefore, the maximum amount that can be deferred for the year is the lesser of (1) the total of your Tier 1 employer taxes on lines 1 and 8 along with the total of Tier 1 Employee taxes on lines 4 and 10 (if you deferred employee taxes; see the instructions for line 22), or (2) the **excess** of (a) line 15 **over** (b) line 20. For more information about the deferral of these deposits, including limitations on the maximum amount you can defer, go to [IRS.gov/ETD](https://www.irs.gov/ETD).

TIP *The deferred amount of the Tier 1 employer taxes from lines 1 and 8 is a deferral of deposits and payments, not a deferral of liability. You won't receive a refund or credit of any amount of these taxes already deposited or paid for the year. However, in determining whether any amount of these taxes was already deposited for this purpose, you can consider prior deposits on or after March 27, 2020, as first being deposited for taxes other than the Tier 1 employer taxes from lines 1 and 8. Although employers depositing taxes using EFTPS can identify the subcategory of separate deposits for the different taxes, those entries are for informational purposes only. The IRS doesn't use that information in comparing liabilities reported on your return and the total deposits made.*

Paying the deferred amount of the Tier 1 employer taxes. One-half of the Tier 1 employer taxes deferred is due by December 31, 2021, and the remainder is due by December 31, 2022. Any payments or deposits you make before December 31, 2021, are first applied against your payment due on December 31, 2021, and then applied against your payment due on December 31, 2022. For example, if your Tier 1 employer taxes reported on lines 1 and 8 for 2020 are \$20,000 and you deposited \$5,000 of the \$20,000 and defer \$15,000 on line 21, then you must pay \$5,000 by December 31, 2021, and \$10,000 by December 31, 2022. However, if those taxes for 2020 were \$20,000 and you deposited \$15,000 of the \$20,000 and defer \$5,000 on line 21, then you don't need to pay any deferred amount by December 31, 2021, because 50% of the amount that could have been deferred (\$10,000) has already been paid and is first applied against your payment that would be due on December 31, 2021. Accordingly, you must pay the \$5,000 deferral by December 31, 2022.

If you initially deferred (that is, didn't deposit) these taxes and later decided to pay or deposit in 2020, see *Adjusting tax liability for the deferred amount of taxes that you pay or deposit in 2020*, later. For additional information, go to [IRS.gov/ETD](https://www.irs.gov/ETD).

How to pay the deferred amount of Tier 1 employer taxes. You may pay the amount you owe electronically using

EFTPS, by credit or debit card, or by a check or money order. The preferred method of payment is EFTPS. For more information, visit [EFTPS.gov](https://www.eftps.gov), or call 800-555-4477 or 800-733-4829 (TDD). To pay the deferred amount, select Form CT-1 and the option for payment due on an IRS notice.

To pay by credit or debit card, go to [IRS.gov/PayByCard](https://www.irs.gov/PayByCard). If you pay by check or money order, include a 2020 Form CT-1(V), Payment Voucher. Make the check or money order payable to "United States Treasury." Enter your EIN, "Form CT-1," and "2020" on your check or money order.

Where to send payments. Payments should be sent to:

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999-0030

Line 22—Deferred Amount of the Tier 1 Employee Tax

Enter the amount of the Tier 1 Employee tax (line 4) and Tier 1 Employee tax—Sick pay (line 10) that you're deferring for the year. On August 8, 2020, the President issued a Presidential Memorandum directing the Secretary of the Treasury to use his authority pursuant to section 7508A of the Internal Revenue Code to defer the withholding, deposit, and payment of certain payroll tax obligations. In [Notice 2020-65](https://www.irs.gov/notice/2020-65), the Secretary made relief available under section 7508A to employers required to withhold certain Tier 1 employee taxes from compensation paid to employees. In response to section 274 of the COVID-related Tax Relief Act of 2020, requiring additional tax relief, Notice 2020-65 will be modified. Specifically, under the notice, the due date for withholding and payment of the Tier 1 Employee tax (line 4) and Tier 1 Employee tax—Sick pay (line 10) on applicable compensation is postponed until the period beginning on January 1, 2021, and ending on December 31, 2021. Applicable compensation is total compensation included on lines 4 and 10 of less than \$4,000 in any biweekly pay period (or the equivalent threshold amount for other pay periods), paid on a pay date during the period beginning on September 1, 2020, and ending on December 31, 2020. The determination of whether the deferral of withholding or payment of these taxes is available is made on a pay period-by-pay period basis. Nothing prohibits employers from getting employee input on whether to apply the relief to postpone the due date for the withholding and payment of these taxes on applicable compensation paid to the employee.

You can't defer tax that you have already paid; therefore, the maximum amount that can be deferred for the year is the lesser of (1) the total of your Tier 1 employer taxes on lines 1 and 8 (if you deferred employer taxes, see the instructions for line 21) along with the total of Tier 1 employee taxes on lines 4 and 10), or (2) the **excess** of (a) line 15 **over** (b) line 20.

TIP *If you paid an employee supplemental compensation (for example, a bonus or commission) and included the supplemental compensation with the employee's regular compensation in a single payment (that is, in a single paycheck) for a pay period, but you didn't specifically identify the amount of each, then the entire amount of the payment must be below \$4,000 (or equivalent amount for pay periods other than a biweekly pay period) to be eligible for the deferral of the withholding and payment of the Tier 1 employee taxes. If the entire amount is below \$4,000, then*

you may defer the withholding and payment of the Tier 1 employee taxes on the entire payment of the compensation. If you paid the supplemental compensation separately from the employee's regular compensation (that is, in a separate check), or you combined the compensation in a single payment but you specifically identified the amount of each, then the supplemental compensation is disregarded for purposes of determining whether the regular compensation was below \$4,000 (or equivalent amount), but the supplemental compensation isn't eligible for the deferral of the withholding and payment of the Tier 1 employee taxes.

Paying the deferred amount of the Tier 1 employee taxes. The due date for the withholding and payment of the Tier 1 employee taxes included on lines 4 and 10 is postponed until the period beginning on January 1, 2021, and ending on December 31, 2021. The employer must withhold and pay the total deferred Tier 1 employee taxes ratably from compensation paid to the employee between January 1, 2021, and December 31, 2021. If necessary, the employer may make arrangements to otherwise collect the total deferred taxes from the employee. The employer is liable to pay the deferred taxes to the IRS and must do so before January 1, 2022, to avoid interest, penalties, and additions to tax on those amounts. For more information about the deferral of the Tier 1 employee taxes, see [Notice 2020-65](#). In response to section 274 of the COVID-related Tax Relief Act of 2020, requiring additional tax relief, Notice 2020-65 will be modified. For information on paying the deferred taxes, see [How to pay the deferred amount of Tier 1 employer taxes](#), earlier.

If you initially deferred (that is, didn't deposit) these taxes and later decided to pay or deposit in 2020, see [Adjusting tax liability for the deferred amount of taxes that you pay or deposit in 2020](#), later.

Line 23—Refundable Portion of Credit for Qualified Sick and Family Leave Compensation

Businesses and tax-exempt organizations with fewer than 500 employees that provide paid sick leave under the [EPSLA](#) and/or provide paid family leave under the [Emergency Family and Medical Leave Expansion Act](#) are eligible to claim the credit for qualified sick and family leave compensation. Enter the refundable portion of the credit for qualified sick and family leave compensation from Worksheet 1, Step 2, line 2k. The credit for qualified sick and family leave compensation consists of the qualified sick leave compensation, the qualified family leave compensation, the allocable qualified health plan expenses, and the Tier 1 Employer Medicare tax allocable to that compensation. The refundable portion of the credit is allowed after the Tier 1 employer taxes from lines 1 and 8 are reduced to zero by nonrefundable credits.

Line 24—Refundable Portion of Employee Retention Credit

Enter the refundable portion of the employee retention credit from Worksheet 1, Step 3, line 3i. The employee retention credit is 50% of the qualified compensation you paid to your employees between March 13, 2020, and December 31, 2020. The refundable portion of the credit is allowed after the Tier 1 employer taxes from lines 1 and 8 are reduced to zero by nonrefundable credits.

Line 25—Total Deposits, Deferrals, and Refundable Credits

Add lines 20, 21, 22, 23, and 24. Enter the total on line 25.

Line 26—Total Advances Received from Filing Form(s) 7200 for the Year

Enter the total advances received from filing Form(s) 7200 for the year. If you filed Form 7200 but you haven't received the advance before filing Form CT-1, don't include that amount. Employers were eligible to file Form 7200 if they paid qualified sick leave compensation, qualified family leave compensation, and/or qualified compensation for the employee retention credit and the amount of deposits they retained wasn't sufficient to cover the cost of qualified sick and family leave compensation and the employee retention credit.

TIP Form 7200 may be filed up to the earlier of March 1, 2021, or the filing of Form CT-1 for the year. However, if you file Form 7200 after the end of the year, it's possible that it may not be processed prior to the processing of the filed Form CT-1. Advance payment requests on Form 7200 won't be paid after your Form CT-1 is processed. When the IRS processes Form CT-1, we will correct the amount reported on line 26 to match the amount of advance payments issued or contact you to reconcile the difference before we finish processing Form CT-1.

Line 27—Total Deposits, Deferrals, and Refundable Credits Less Advances

Subtract line 26 from line 25 and enter the result on line 27.

Line 28—Balance Due

If line 19 is more than line 27, enter the difference on line 28. Otherwise, see [Line 29—Overpayment](#), later. You don't have to pay if line 28 is under \$1. Generally, you should show a balance due on line 28 only if your total railroad retirement taxes based on compensation for the year (line 19) are less than \$2,500. However, see [Accuracy of Deposits Rule](#), earlier, regarding payments made under the accuracy of deposits rule.

If you were required to make federal tax deposits, pay the amount shown on line 28 by EFT. If you weren't required to make federal tax deposits or you're a monthly schedule depositor making a payment under the accuracy of deposits rule, you may pay the amount shown on line 28 by EFT, check, or money order. For more information on electronic payment options, go to [IRS.gov/Payments](#).

If you pay by EFT, file your return using the address under [Where To File](#), earlier. Don't file Form CT-1(V), Payment Voucher. If you pay by check or money order, make it payable to "United States Treasury." Enter your EIN, "Form CT-1," and "2020" on your check or money order. Complete Form CT-1(V) and enclose with Form CT-1.

Line 29—Overpayment

If line 27 is more than line 19, enter the difference on line 29. **Never make an entry on both lines 29 and 28.** If line 29 is less than \$1, we will send you a refund or apply it to your next return only if you ask us in writing to do so.

If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by checking the appropriate box on line 29. Check only one box on line 29. If you don't check either box or if you check both boxes, generally we will apply the overpayment to your next return. Regardless of any boxes you check or don't check, we may apply your overpayment to any past due tax account that is shown in our records under your EIN.

Lines 30 Through 35



The amounts entered on lines 30 through 35 are amounts that you use on Worksheet 1 to figure the credit for qualified sick and family leave compensation and the employee retention credit. If you're claiming these credits, you must enter the applicable amounts.

Line 30—Qualified Sick Leave Compensation

Enter the qualified sick leave compensation you paid to your employees during the year. Qualified sick leave compensation is compensation paid under the [EPSLA](#) as enacted under the FFCRA. This amount is also entered on Worksheet 1, Step 2, line 2a. See the instructions for [line 16](#) for information about the credit for qualified sick and family leave compensation. For more information about qualified sick leave compensation, go to [IRS.gov/PLC](#).

Line 31—Qualified Health Plan Expenses Allocable to Compensation Reported on Line 30

Enter the [qualified health plan expenses allocable to qualified sick leave compensation](#). This amount is also entered on Worksheet 1, Step 2, line 2b.

Line 32—Qualified Family Leave Compensation

Enter the qualified family leave compensation you paid to your employees during the year. Qualified family leave compensation is compensation paid under the [Emergency Family and Medical Leave Expansion Act](#) as enacted under the FFCRA. This amount is also entered on Worksheet 1, Step 2, line 2e. See the instructions for [line 16](#) for information about the credit for qualified sick and family leave compensation. For more information about qualified family leave compensation, go to [IRS.gov/PLC](#).

Line 33—Qualified Health Plan Expenses Allocable to Compensation Reported on Line 32

Enter the [qualified health plan expenses allocable to qualified family leave compensation](#). This amount is also entered on Worksheet 1, Step 2, line 2f.

Line 34—Qualified Compensation for the Employee Retention Credit

Enter the [qualified compensation for the employee retention credit](#) (excluding the amount of any qualified health plan expenses allocable to the compensation). This amount is also entered on Worksheet 1, Step 3, line 3a. See the

instructions for [line 17](#) for information about the employee retention credit. For more information about qualified compensation for the employee retention credit, go to [IRS.gov/ERC](#).

Line 35—Qualified Health Plan Expenses Allocable to Compensation Reported on Line 34

Enter the [qualified health plan expenses for the employee retention credit](#). These expenses are generally allocable to the compensation reported on Form CT-1, line 34. However, in some circumstances, qualified health plan expenses for purposes of the employee retention credit are treated as allocable to qualified compensation for the employee retention credit even if no compensation is paid to the employees during the applicable period (for example, when you furlough an employee because your operations are fully or partially suspended due to a government order but you continue to pay qualified health plan expenses). For more information, go to [IRS.gov/ERC](#). The amount from line 35 is also entered on Worksheet 1, Step 3, line 3b.

Part II. Record of Railroad Retirement Tax Liability

This is a summary of your yearly tax liability, not a summary of deposits made. If line 15 is less than \$2,500, don't complete Part II or Form 945-A.

If you're a monthly schedule depositor, enter your tax liability for each month and figure the total liability for the year. If you don't enter your tax liability for each month, the IRS won't know when you should have made deposits and may assess an "averaged" FTD penalty. See section 11 of Pub. 15. If your tax liability for any month is negative, don't enter a negative amount for the month. Instead, enter zero for the month and subtract that negative amount from your tax liability for the next month.

Adjusting tax liability for nonrefundable credits claimed on lines 16 and 17. Monthly schedule depositors and semiweekly schedule depositors must account for nonrefundable credits claimed on lines 16 and 17 when reporting their tax liabilities on Part II or Form 945-A. The total tax liability for the year must equal the amount reported on line 19. Failure to account for the nonrefundable credits on Part II or Form 945-A may cause Part II or Form 945-A to report more than the total tax liability reported on line 19. Don't reduce your monthly tax liability reported on Part II or your daily tax liability reported on Form 945-A below zero.


Nonrefundable portion of credit for qualified sick and family leave compensation (line 16). The nonrefundable portion of the credit for qualified sick and family leave compensation is limited to the Tier 1 employer taxes reported on Form CT-1, lines 1 and 8, on compensation paid in the year. In completing Part II or Form 945-A, you take into account the nonrefundable portion of the credit for qualified sick and family leave compensation (including the qualified health plan expenses allocable to that compensation) against the liability for the first payroll payment of the year, but not below zero. Then reduce the liability for each successive payroll payment of the year until the nonrefundable portion of the credit is used. Any credit for qualified sick and family leave compensation that is remaining at the end of the year because it exceeds the Tier 1 employer taxes reported on Form CT-1, lines 1 and 8, is claimed on line 23 as a

refundable credit. The refundable portion of the credit doesn't reduce the liability reported on Part II or Form 945-A.

Example. Maple Co. is a monthly schedule depositor that pays employees every Friday. In 2020, Maple Co. had pay dates every Friday of 2020 starting January 3, 2020. Maple Co. paid qualified sick and family leave compensation on May 1 and May 8. The nonrefundable portion of the credit for qualified sick and family leave compensation for the year is \$3,000. On Part II, Maple Co. will use the \$3,000 to reduce the liability for the January 3 pay date, but not below zero. If any nonrefundable portion of the credit remains, Maple Co. applies it to the liability for the January 10 pay date, then the January 17 pay date, and so forth until the entire \$3,000 is used.

Nonrefundable portion of employee retention credit (line 17). The nonrefundable portion of the employee retention credit is limited to the Tier 1 employer taxes reported on Form CT-1, lines 1 and 8, on compensation paid in the year that is remaining after that share is first reduced by any credit claimed on Form CT-1, line 16, for the nonrefundable portion of the credit for qualified sick and family leave compensation. In completing Part II or Form 945-A, you take into account the nonrefundable portion of the employee retention credit against the liability for the first payroll payment of the year, but not below zero. Then reduce the liability for each successive payroll payment of the year until the nonrefundable portion of the credit is used. Any employee retention credit that is remaining at the end of the year because it exceeds the Tier 1 employer taxes reported on Form CT-1, lines 1 and 8, is claimed on line 24 as a refundable credit. The refundable portion of the credit doesn't reduce the liability reported on Part II or Form 945-A.

Example. Maple Co. is a monthly schedule depositor that pays employees every Friday. In 2020, Maple Co. had pay dates every Friday of 2020 starting January 3, 2020. Maple Co. paid qualified wages for the employee retention credit on May 1 and May 8. The nonrefundable portion of the employee retention credit for the year is \$3,000. On Part II, Maple Co. will use the \$3,000 to reduce the liability for the January 3 pay date, but not below zero. If any nonrefundable portion of the credit remains, Maple Co. applies it to the liability for the January 10 pay date, then the January 17 pay date, and so forth until the entire \$3,000 is used.

 **TIP** You may reduce your deposits by the amount of the nonrefundable and refundable portions of the credit for qualified sick and family leave compensation, the nonrefundable and refundable portions of the employee retention credit, and any deferred taxes, as discussed earlier under [Reducing your deposits for COVID-19 credits](#).

Adjusting tax liability for the deferred amount of taxes that you pay or deposit in 2020. If you defer the Tier 1 employer taxes reported on lines 1 and 8 and/or the Tier 1 employee taxes reported on lines 4 and 10 and subsequently pay or deposit that deferred amount during 2020, you should report the amount of the payment or deposit on Part II or Form 945-A on the date of the payment or deposit and not the date of liability. You shouldn't include any portion of the deferred amount of taxes already paid or deposited by December 31, 2020, on Form CT-1, line 21 or 22.

For example, if you're a monthly schedule depositor that has an RRTA liability of \$500 every month in 2020 and you defer \$100 of the Tier 1 employer taxes on your June liability, but deposit your deferred amount of \$100 together with your \$500 deposit for your November tax liability, you would report

\$400 for your June tax liability (\$500 minus \$100) and \$600 for your November liability (\$500 plus \$100) on Part II. Don't include the \$100 deferral on Form CT-1, line 21.



The amount shown on line V must equal the amount shown on line 19.

If you're a semiweekly schedule depositor or if you accumulate \$100,000 or more in tax liability on any day in a deposit period, you must complete Form 945-A and file it with Form CT-1. Don't complete lines I-V if you file Form 945-A. The \$100,000 tax liability threshold requiring a next-day deposit is determined before you consider any reduction of your liability for nonrefundable credits. See [IRS.gov/ETD](https://www.irs.gov/ETD) for more information.

Third-Party Designee

If you want to allow an employee of your business, a return preparer, or another third party to discuss your 2020 Form CT-1 with the IRS, check the "Yes" box in the *Third-Party Designee* section. Also, enter the designee's name, phone number, and any five digits that person chooses as his or her personal identification number (PIN).

By checking "Yes" you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your return. You also authorize your designee to do all of the following.

- Give us any information that is missing from your return.
- Call us for information about processing your return.
- Respond to certain IRS notices that you have shared with the designee about math errors and return preparation. The IRS won't send notices to your designee.

You're not authorizing the designee to receive any refund check, bind you to anything (including additional tax liability), or otherwise represent you before the IRS. If you want to expand the designee's authority, see Pub. 947.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your 2020 Form CT-1. If you or your designee wants to revoke this authorization, send the revocation or withdrawal to the IRS office at which you file your Form CT-1.

Who Must Sign

The following persons are authorized to sign the return for each type of business entity.

- **Sole proprietorship**—The individual who owns the business.
- **Corporation (including a limited liability company (LLC) treated as a corporation)**—The president, vice president, or other principal officer duly authorized to sign.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**—A responsible and duly authorized partner, member, or officer having knowledge of its affairs.
- **Single-member LLC treated as a disregarded entity for federal income tax purposes**—The owner of the LLC or a principal officer duly authorized to sign.
- **Trust or estate**—The fiduciary.

Form CT-1 also may be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form CT-1 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39,

2005-28 I.R.B. 82, available at [IRS.gov/irb/2005-28_IRB#RP-2005-39](https://www.irs.gov/irb/2005-28_IRB#RP-2005-39).

Paid Preparer Use Only

A paid preparer must sign Form CT-1 and provide the information in the *Paid Preparer Use Only* section of Part I if the preparer was paid to prepare Form CT-1 and isn't an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you're a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include

your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, go to [IRS.gov/PTIN](https://www.irs.gov/PTIN). You can't use your PTIN in place of the EIN of the tax preparation firm.

Generally, you're not required to complete this section if you're filing the return as a reporting agent and have a valid Form 8655 on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, by advising the client on determining whether its workers are employees or independent contractors for federal tax purposes.

DRAFT AS OF
January 15, 2021

Worksheet 1. Credit for Qualified Sick and Family Leave Compensation and the Employee Retention Credit

Determine how you will complete this worksheet

- If you paid both qualified sick and family leave compensation and qualified compensation for purposes of the employee retention credit this year, complete Step 1, Step 2, and Step 3.
- If you paid qualified sick and family leave compensation this year but you didn't pay any qualified compensation for purposes of the employee retention credit this year, complete Step 1 and Step 2 only.
- If you paid qualified compensation for purposes of the employee retention credit this year but you didn't pay any qualified sick and family leave compensation this year, complete Step 1, and then Step 3 only.

Step 1. Figure the Tier 1 Employer Tax		
1a	Enter the amount from Form CT-1, line 1 (Tax Column)	1a _____
1b	Enter the amount from Form CT-1, line 8 (Tax Column)	1b _____
1c	Tier 1 Employer tax. Add lines 1a and 1b	1c _____
Step 2. Figure the credit for qualified sick and family leave compensation		
2a	Qualified sick leave compensation reported on Form CT-1, line 30	2a _____
2b	Qualified health plan expenses allocable to qualified sick leave compensation reported on Form CT-1, line 31	2b _____
2c	Tier 1 Employer Medicare tax on qualified sick leave compensation. Multiply line 2a by 1.45% (0.0145)	2c _____
2d	Credit for qualified sick leave compensation. Add lines 2a, 2b, and 2c	2d _____
2e	Qualified family leave compensation reported on Form CT-1, line 32	2e _____
2f	Qualified health plan expenses allocable to qualified family leave compensation reported on Form CT-1, line 33	2f _____
2g	Tier 1 Employer Medicare tax on qualified family leave compensation. Multiply line 2e by 1.45% (0.0145)	2g _____
2h	Credit for qualified family leave compensation. Add lines 2e, 2f, and 2g	2h _____
2i	Credit for qualified sick and family leave compensation. Add lines 2d and 2h	2i _____
2j	Nonrefundable portion of credit for qualified sick and family leave compensation. Enter the smaller of line 1c or line 2i. Enter this amount on Form CT-1, line 16	2j _____
2k	Refundable portion of credit for qualified sick and family leave compensation. Subtract line 2j from line 2i and enter this amount on Form CT-1, line 23	2k _____
Step 3. Figure the employee retention credit		
3a	Qualified compensation for the employee retention credit reported on Form CT-1, line 34	3a _____
3b	Qualified health plan expenses allocable to qualified compensation for the employee retention credit reported on Form CT-1, line 35	3b _____
3c	Add lines 3a and 3b	3c _____
3d	Retention credit. Multiply line 3c by 50% (0.50)	3d _____
3e	Enter the Tier 1 Employer tax from Step 1, line 1c	3e _____
3f	Enter the amount of the nonrefundable portion of the credit for qualified sick and family leave compensation from Step 2, line 2j	3f _____
3g	Subtract line 3f from line 3e. If zero or less, enter zero.	3g _____
3h	Nonrefundable portion of employee retention credit. Enter the smaller of line 3d or line 3g. Enter this amount on Form CT-1, line 17	3h _____
3i	Refundable portion of employee retention credit. Subtract line 3h from line 3d and enter this amount on Form CT-1, line 24	3i _____