1990

Department of the Treasury
Internal Revenue Service

Instructions for Form CT-1

Employer's Annual Railroad Retirement and Unemployment Repayment Tax Return

Paperwork Reduction Act Notice

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual

The Tier II employee tax rate remains at 4.90% and the employer tax rate remains at 16.10% for 1991.

General Instructions

Purpose of Form

Use this form to report taxes imposed by the Railroad Retirement Tax Act (RRTA) and the Railroad Unemployment Repayment Tax (RURT).

section 117 deals with scholarship and fellowship grants; and section 132 deals with certain fringe benefits. For more information on what benefits are excludable, see **Publication 937,** Business Reporting.

- 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.

(For purposes of employee and employer

Tier II tax, at the rate of 16.10%, applies to only the first $38,100 of compensation paid in 1990.

The employer is also subject to a supplemental tax at the rate of 26 cents for each employee work-hour in 1990. (See instructions for line 1 for the definition of work-hours.)

Employee Tax Rates for 1990.—The employee is subject to Tier I tax, at the rate of 7.65%, on the first $51,300 of compensation paid in 1990.

The employee is also subject to Tier II tax at the rate of 4.90%. This tax applies to only the first $38,100 of compensation paid in 1990.

2. Railroad Unemployment Repayment Tax

The employer alone is subject to this tax at the rate of 4% on the first $745 of rail wages paid each month to each employee during 1990. The employee is not subject to this tax.

Concurrent Employment

If two or more related corporations who are railroad employers concurrently employ the same individual and compensate that individual through a common paymaster which is one of the related corporations employing the individual, each of the corporations is considered to have paid only the compensation it actually disburses to that individual.

Collection of Employee Tax by Employer

You must collect the employee railroad retirement tax from each employee by deducting it from the compensation on which employee tax is charged. If you do not collect the employee tax, you are liable for the tax. If you collect too much or too little employee tax because you cannot determine the correct amount to deduct, you should correct the amount deducted by an adjustment, credit, or refund according to the regulations relating to the Railroad Retirement Tax Act.

If you pay the RRTA tax for your employee rather than deducting it, see Revenue Procedure 83-43 for information on how to report the amounts. The Revenue Procedure is in 1983-1 C.B. 778.

Payment of Tax

1. Railroad Retirement Tax

How To Make Deposits.—In general, you must deposit railroad retirement taxes of $500 or more with an authorized financial institution or a Federal Reserve bank or branch. Use **Form 8109,** Federal Tax Deposit Coupon, which must be included with each deposit to indicate the type of tax deposited. To avoid a possible penalty, do not mail your deposit directly to IRS. Records of your deposits will be sent to IRS for crediting to your business accounts. If you had railroad retirement taxes that totaled $1,000,000 or more for a calendar year two years prior to this calendar year you must make deposits by wire transfer, which is explained in Revenue Procedure 83-90, 1983-2 C.B. 615, and is available from IRS district offices.

If you are required to deposit taxes more than once a month, any deposit of $20,000 or more must be received by the depositary by the due date.

Rules When Your Deposits Are Due.—The amount of taxes you owe determines the frequency of deposits. You owe these taxes when you pay the compensation, not when your payroll period ends. The rules below tell you how often to deposit taxes.

Note: *You are not required to add the supplemental work-hour tax to the Tier I and Tier II taxes to determine when you must make a deposit. Instead, include the work-hour tax with the first deposit of railroad retirement taxes you are otherwise required to make after the 15th of the next month. For example, include January's work-hour tax with the first deposit you are required to make after February 15.*

(1) Less than $100 at the end of December.—If at the end of December your total undeposited railroad retirement taxes are less than $100, you do not have to deposit the taxes. You may pay the taxes to IRS with Form CT-1, or you may deposit them by the last day of February.

(2) Less than $500 at the end of any month except December.—If at the end of any month except December your total undeposited railroad retirement taxes are less than $500, you do not have to make a deposit. Carry the taxes over to the following month. If this occurs at the end of December deposit any balance due of $100 or more but less than $500 by the last day of February.

(3) $500 or more but less than $3,000 at the end of any month.—If at the end of any month your total undeposited taxes are $500 or more but less than $3,000, you must deposit the taxes within 15 days after the end of the month.

Exception to rule 3.—If your undeposited taxes are $500 or more but less than $3,000 at the end of a month during which you were required to make a deposit of $3,000 or more in an earlier period of the month because of rule 4 below, you do not have to deposit them. Carry them over into the next month instead and add them to the taxes on compensation paid in the next month. Then follow rule 3 or 4 to determine when the next deposit is required.

However, if you are required to make a deposit of $3,000 or more during December deposit any balance due of $100 or more but less than $3,000 by the last day of February.

(4) $3,000 or more at the end of any eighth-monthly period but less than $100,000 on any day during the eighth-monthly period.—Each month is divided into eight deposit periods called eighth-monthly periods. The eighth-monthly periods end on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th, and last day of the month. If at the end of any eighth-monthly period your total undeposited taxes are $3,000 or more but less than $100,000 on any day during the eighth-monthly period, deposit the taxes within 3 banking days after the end of that eighth-monthly period. Do not count as banking days local holidays observed by authorized financial institutions, Saturdays, Sundays, and legal holidays.

Exception to rule 4.—If this is the first time you are required to make a deposit within 3 banking days after the end of an eighth-monthly period, you may deposit the taxes by the 15th day of the next month (instead of within 3 banking days after the end of the eighth-monthly period) if you meet all of the following conditions:

- You were not required to deposit taxes for any eighth-monthly period during the 4 quarters preceding the current quarter
- You were not required to deposit taxes for any eighth-monthly period during earlier months of this quarter
- Your total undeposited taxes at the end of any eighth-monthly period during this month are less than $10,000.

If you qualify for this exception to rule 4, attach a statement showing your net taxes for each of the 4 preceding calendar quarters.

(5) $100,000 or more during any eighth-monthly period.—Effective for deposit periods ending after July 31, 1990, if you accumulate undeposited payroll taxes of $100,000 or more during the eighth-monthly period, you are required to deposit the payroll taxes by the close of the next banking day. You may no longer wait until the third banking day after the close of the eighth-monthly period. See section 6302(g) and Schedule B (Form 941).

You will be considered to meet rules 4 and 5 if:

- You deposit at least 95% of the tax liability for that eighth-monthly period within 3 banking days after the end of that period, and
- You deposit any underpayment as follows:

(a) If an eighth-monthly period is in a month other than December, you deposit the underpayment with the first deposit that is required to be made after the 15th of the following month.

(b) If an eighth-monthly period is in December, you deposit any underpayment of $100 or more by the last day of February.

Any underpayment of less than $100 can be paid with Form CT-1 as explained in rule 1.

2. Railroad Unemployment Repayment Tax

How To Make Deposits.—In general, deposit unemployment repayment tax with an authorized financial institution or a Federal Reserve bank or branch. Use Form 8109 and mark the "CT-1" entry under "TYPE OF TAX."

If you are required to make railroad retirement tax deposits by wire transfer, make unemployment repayment tax deposits by wire transfer. Make a separate wire transfer, enter RURT in item 12(f), and leave item 12(g) blank on the funds transfer message.

Rules When Your Deposits Are Due.—The unemployment repayment tax is deposited quarterly. To figure if you should make a deposit for any of the first three calendar quarters of a year, multiply the rail wages you paid your rail employees during the quarter by 4%. If this amount (plus any undeposited amounts from prior quarters) is more than $100, deposit it by the last day

of the month following the close of the quarter Amounts of $100 or less need not be deposited, but are carried over and added to the next quarter's liability. A deposit is due for the fourth quarter when the tax for the year minus the amounts deposited is more than $100. Deposit it by January 31. Amounts of $100 or less can be paid with the return. For 1990, the rail wage base is the first $745 paid to each employee each month.

Penalties and Interest

The law provides penalties for late filing of a return, late payment of taxes, or late deposits unless reasonable cause is shown for the delay. If you are unavoidably late in doing any of these, send an explanation with the return.

Specific Line Instructions

Part I

Line 1

Supplemental Tax

Except for employees who are covered by a supplemental pension plan established by a collective bargaining agreement between you and those employees, you are required to report work-hours for all compensation which involves a time or mileage factor

Include time actually worked; time paid for vacations and holidays; time (but not cash payments) allowed for meals; away-from-home terminal time, called and not used, runaround, and deadheading payments; and pay for attending court, investigations, and claim and safety meetings. Report hours representing payments to make up guarantees (other than weekly or monthly money guarantees) only if the payments are made for time not actually worked. Report hours representing payments to make up weekly or monthly money guarantees only if the hours or days included in the assignments are not actually worked. Report the number of hours paid for overtime, regardless of the rate at which paid. All compensation paid as arbitraries or allowances independently of the rate and not specifically related to hours or miles, including vacation allowances based on compensation earned in the previous year, should be converted to hours by dividing by the appropriate hourly rate. Do not figure hours to represent cash payments, such as allowances for meals, lodging, transportation fares or automobile mileage, sick pay, or severance pay.

Determining Number of Hours Included in Daily, Weekly, or Monthly Rates.—If a collective bargaining agreement specifies the number of hours included in a rate, use that number Otherwise, report the number of hours the individual involved usually works even though on occasion the employee may work fewer or more hours. For example, an individual on an all-service rate who normally observes the office hours usually worked by employees generally would be reported at 8 hours per day, 5 days per week—or 174 hours per month. Unless otherwise provided in a collectively bargained rule, 174 hours should be used as the standard hourly factor for monthly rated employees.

Treatment of Compensation Paid on a Mileage or Piecework Basis.—For employees on a mileage basis of pay, report straight-time compensation as hours figured at the appropriate speed basis. For example, under agreements generally applicable, divide miles paid for in straightaway passenger service by 20 and in freight service by 12.5 and report the result. Report straight-time piecework compensation at the average number of hours for the average unit piecework price. Report only the number of overtime hours actually worked regardless of the rate at which paid.

Supplemental Tax Rate.—The supplemental tax rate is 26 cents for each employee work-hour of service performed during 1990.

Multiply the total work-hours by $ .26 and enter the result on line 1.

Line 2

Special Supplemental Tax

If you are exempt from the supplemental tax on line 1 on some or all of your employees because they are covered by a supplemental pension plan established by a collective bargaining agreement, you are subject instead to a special supplemental tax. The tax is equal to the total supplemental annuities paid to those employees on or after April 1, 1970, plus a percentage for administrative costs. The Railroad Retirement Board will notify you of the amount due on Form G-241. Enter that amount on line 2 and attach Form G-241 to each copy of Form CT-1.

Line 3

Adjustments to Supplemental Tax

You may take a credit on line 3 in an amount equal to the total monthly reduction of employee supplemental annuities under section 2(h)(2) of the Railroad Retirement Act of 1974. *This credit may not be more than your monthly tax liability based on 26 cents for each work-hour for which compensation is paid.* You cannot claim the excess on line 11. However, you may apply excess credits against your supplemental tax accruing in later months. The Railroad Retirement Board will furnish you with a quarterly statement identifying the supplemental tax credit accruing to you. Attach one copy of the statement to the original of Form CT-1.

If the amount you enter on line 3 differs from that certified by the Railroad Retirement Board, attach an explanation to each copy of the return. Include in your reconciliation of line 3 adjustments to the supplemental tax credit as certified by the Railroad Retirement Board.

Line 4

Adjusted Total of Supplemental Tax

Add lines 1 and 2. Subtract line 3 from the total of lines 1 and 2. Enter the result on line 4.

Line 5

Tier I Employer Tax

Show the amount of compensation (other than tips and sick pay) subject to Tier I tax. Do not show more than $51,300 per employee. Multiply by 7.65% and enter the result on line 5.

Line 6

Tier II Employer Tax

Show the amount of compensation (other than tips) subject to Tier II tax. Do not show more than $38,100 per employee. Multiply by the employer tax rate of 16.10% and enter the result on line 6.

Line 7

Tier I Employee Tax

Show the amount of compensation, including tips reported, subject to employee Tier I tax. Only the first $51,300 of the employee's compensation is taxable. Multiply by 7.65% and enter the result on line 7

What Are Taxable Tips?—Cash tips received by an employee in the course of employment must be reported to you by the employee by the 10th of the month following the month the tips are received. No report should be made for any month in which the tips were less than $20, but otherwise tips should be reported for every month regardless of the total of compensation and tips for the month. An employee must furnish you with a written statement of tips showing: (a) his or her name, address, and social security number (b) your name and address, (c) the calendar month or period for which the statement is furnished, and (d) the total amount of tips. **Publication 1244**, Employee's Daily Record of Tips (Form 4070A) and Employee's Report of Tips to Employer (Form 4070), a booklet for daily entry of tips and forms to report tips to employers, may be obtained from the IRS.

You must collect both income tax and employee railroad retirement tax on tips reported by employees from compensation (after deduction of employee railroad retirement and income tax) due the employee or from other funds the employee makes available. Tips are considered to be paid at the time the employee reports them to you. You should apply the compensation or other funds first to the railroad retirement tax and then to income tax. Stop collecting employee Tier I tax when the tax has been withheld on $51,300 for the year. However, your liability for Tier I employer tax on compensation continues until the compensation, not including tips, totals $51,300 for the year. Income tax withholding applies to all compensation even though the railroad retirement annual limit has been reached.

If by the 10th day of the month following the month an employee's tip income report was received you do not have enough employee funds to deduct the employee tax, you are no longer liable for collecting the tax for that month.

Line 8

Tier II Employee Tax

Show the amount of compensation, including tips reported, subject to Tier II employee tax. Only the first $38,100 of the employee's compensation for 1990 is subject to this tax. Multiply by the employee tax rate of 4.90% and enter the result on line 8.

If your employer-employee tax rates (lines 5, 6, 7, and 8) do not agree with the rates shown on the Form CT-1 because of section 109(b), P.L. 93-69, attach an explanation.

Lines 9a and b

Tier I Taxes on Sick Pay

Show the amounts of sick pay payments during the year subject to Tier I tax. Only the first $51,300 a year of compensation including sick pay is taxable. If you are a railroad employer paying your employees sick pay or a third-party payer who did not notify the employer of the payments (thereby subject to the employee and employer portions of the tax), make entries on both lines 9a and b. If you are subject to only the employer or employee portion, complete only the applicable line. Multiply by 7.65% and enter the result on the applicable line.

Line 10

Total Tax Based on Compensation

Add lines 5 through 9b.

Line 11

Adjustments to Taxes Based on Compensation

Use line 11 to show: (a) correction of underpayments or overpayments of tax reported on an earlier return, (b) credits for overpayments of penalty or interest paid on tax for earlier periods, and (c) reports of fractions of cents added or dropped in deducting employee tax from compensation paid for the period. Do not include any overpayment applied from the prior year. If you are reporting both an addition and a deduction, enter only the difference between the two on line 11. You cannot claim any excess credit from line 3 here.

Except for adjustments for fractions of cents, amounts entered on line 11 must be explained by a statement. Please attach a full sheet of paper that shows at the top the name, employer identification number, calendar year of the return, and "Form CT-1." This will allow the Service Center to associate with the return any statement detached during processing. Include in the statement the following information:

(a) An explanation of the adjustment which the entry is intended to correct.

(b) The particular return period(s) to which the adjustment relates.

(c) The amount of the adjustment chargeable to each period.

(d) The name and account number of any employee from whom employee tax was undercollected or overcollected.

(e) The manner in which you and the employee have settled any undercollection or overcollection of employee tax.

The statement must be made in duplicate and attached to the Original and Duplicate Copy of your return.

Reminder: Any amounts paid during the current reporting year adjusting prior year compensation (reported to the Railroad Retirement Board on **Form BA-4,** Report of Creditable Adjustments) are taxable at the current year tax rates. Use the current year rates to compute the additional tax due. Be sure to attach an explanation showing the prior year(s) to which the adjustment relates, the amount of compensation subject to Tier I and Tier II taxes, and the respective tax rates.

Fractional Parts of Cents.—If there is a difference between the total amount of employee tax included on lines 7, 8, and 9b and the total amounts actually deducted from employees due to fractions of cents added or dropped in collecting employee tax, report this difference on line 11 as a deduction or an addition. If this is the only entry you need to make on line 11, you do not need to attach an explanation of the adjustment to your return. Just write "Fractions only" in the margin of the form.

Line 12

Adjusted Total of Employer and Employee Railroad Retirement Taxes Based on Compensation

Subtract line 11 from line 10 if you are decreasing tax previously reported. Add line 11 to line 10 if you are reporting additional tax.

Line 13

Total Railroad Retirement Taxes for Year

Add lines 4 and 12.

Line 14

Railroad Unemployment Repayment Tax

Show the rail wages subject to the tax. For 1990, this is the first $745 paid each month to each employee during the year. Multiply by 4% and enter the result on line 14.

Line 15

Total Railroad Retirement and Unemployment Repayment Taxes

Add lines 13 and 14.

Line 16

Total Railroad Retirement Taxes Deposited

Show the total amounts of railroad retirement taxes you deposited using Form 8109 or wire transfer

Line 17

Total Railroad Unemployment Repayment Taxes Deposited

Show the total amounts of railroad unemployment repayment taxes you deposited using Form 8109 or wire transfer

Line 18

Total Taxes Deposited

Add lines 16 and 17

Line 19

Balance Due

Subtract line 18 from line 15.

Include on your check or money order your employer identification number, "Form CT-1," and the year to which the payment applies. This will help ensure proper crediting to your account.

Line 20

Overpayment

If you deposited more than the correct amount of taxes for the year, you can have the overpayment refunded or applied to your next year's railroad retirement tax.

Part II

Completing the Record of Railroad Retirement Tax Liability

Each month is divided into eight deposit periods as explained above. If your taxes for every month during the year are less than $3,000, you can show them on the Total lines (I, II, and III) and skip the other lines. If your taxes for any month are $3,000 or more, find the eighth-monthly periods during the year in which you had a payday. Show on the lines the total of the employer and employee Tier I and Tier II taxes for compensation paid during that period. Do not include the supplemental tax based on work-hours. This tax is shown on the specific line for the tax above the monthly total lines.

You must complete a seperate Schedule B (Form 941) for each quarter ending after July 31, 1990, in which you have an eighth-monthly period with a liability of $100,000 or more. For quarters where you must complete Schedule B (Form 941) do not complete the column for that quarter on Form CT-1. Enter your work-hour tax below the eighth-monthly period liability for periods H, P, and X. To the left in column 1, write "ST" (supplemental tax). Enter the total for the quarter from the bottom of Schedule B (Form 941) on line IV of Form CT-1.

The total tax liability for the year (line V) should equal total railroad retirement taxes for the year on Form CT-1 (line 13). Otherwise, you may be charged a penalty, based on your average tax liability, for not making deposits of taxes. (The dates and amounts of your deposits are obtained from your Federal Tax Deposit Coupon, Form 8109.)

Part III

Completing the Record of Railroad Unemployment Repayment Tax Liability

Complete this part if your tax on line 14 is over $100. To figure your RURT liability for the first 3 quarters of the calendar year, multiply that part of the first $745 of each employee's rail wages you paid each month during the quarter by the tax rate for the year, including any surtax. Your liability for the 4th quarter is the total tax on line 14 minus your liability for the first 3 quarters of the year

The tax rate for 1990 is 4%.

Signature.—Be sure to sign the Original and the Duplicate Copy of the return.

*U.S. GPO:1990-518-698/20331