



Instructions for Form CT-1

Employer's Annual Railroad Retirement Tax Return

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

Items To Note

Tax Rates and Compensation Bases

Tax Rates	Compensation paid in 1997	Compensation paid in 1998
Tier I		
Employer and Employee:		
Each pay		
6.2% of first	\$65,400	\$68,400
Tier I Medicare		
Employer and Employee:		
Each pay		
1.45% of	All	All
Tier II		
Employer: Pays		
16.1% of first	\$48,600	\$50,700
Employee: Pays		
4.9% of first	\$48,600	\$50,700

• **Supplemental Annuity Work-Hour Tax Rate:** The supplemental annuity work-hour tax rate increased to 35 cents for 1997.

• **Electronic deposit requirement.** If your total deposits of income tax withheld and social security, Medicare, and railroad retirement taxes were more than \$50,000 in 1996, you must make electronic deposits for all depository tax liabilities that occur after 1997. See **How to make deposits** under **Depositing Taxes** on page 2.

General Instructions

Purpose of Form

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

Who Must File

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

If you are an employer or third-party payer of sick pay that is subject to Tier I railroad retirement and Medicare taxes, you must file Form CT-1. See **Pub. 15-A**, Employer's Supplemental Tax Guide, for details. However, see the exceptions under the definition of compensation below. Report sick pay payments on lines 11 through 14.

Where and When To File

File Form CT-1 with the Internal Revenue Service Center, Kansas City, MO 64999 by March 2, 1998.

Definitions

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

Compensation. Compensation means payment in money, or in something that may be used instead of money, for services performed as an employee of one or more employers. It includes payment for time lost as an employee.

Compensation does not include:

- Any benefit provided to or on behalf of an employee if at the time the benefit is provided it is reasonable to believe the employee can exclude such benefit from income, for example, employee achievement awards under section 74(c); scholarship and fellowship grants under section 117;

certain fringe benefits under section 132; and employer payments to a medical savings account under section 220. For more information on what benefits are excludable, see Pub. 15-A.

- 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. This applies to Tier II and supplemental annuity work-hour taxes only.

Note: For purposes of employee and employer Tier I taxes, compensation does not include sickness or accident disability payments made—

- **y1.** Under a worker's compensation law,
- **y2.** Under section 2(a) of the Railroad Unemployment Insurance Act for days of sickness due to on-the-job injury,
- **y3.** Under the Railroad Retirement Act, or
- **y4.** More than 6 months after the calendar month the employee last worked.

- Payments made specifically for traveling or other bona fide and necessary expenses that meet the rules in the regulations under section 62.

- Payments for service 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.

If compensation earned in any month by an employee in the service of a local lodge or division of a railway-labor-organization employer is less than \$25, do not count it as taxable compensation.

Successor employers should see section 3231(e)(2)(C) and **Circular E**, Employer's Tax Guide (Pub. 15), to see if they can use the predecessor's compensation paid against the maximums.

Compensation is considered paid when it is actually paid or when it is constructively paid. It is considered constructively paid when it is credited to the account of an employee or set apart for the employee without any limit or condition on how and when the payment is to be made and when it is made available for the employee to draw on at any time and to control.

Any compensation paid during the current year that was earned in the prior year is taxable at the current year's tax rates, and the compensation **must** be included with the current year's compensation on lines 5 through 14, as appropriate.

Employer and Employee Taxes

Employer taxes. Employers must pay Tier I, Tier II, and supplemental annuity work-hour taxes. Tier I tax is divided into two parts. The amount of compensation subject to each tax is different. See **Items To Note** above for the tax rates and compensation bases.

For information on the special supplemental annuity tax, see the line 2 instructions on page 3.

Employee taxes. You must withhold the employee's part of Tier I and Tier II taxes. See **Items To Note** above for the tax rates and compensation bases. See the instructions for line 9 on page 4 for information on the employee tax on tips.

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, which is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement and Medicare taxes than a single employer would. See Regulations section 31.3121(s)-1 for more information.

Withholding or Payment 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 withhold the employee tax, you must pay the tax. If you withhold too much or too little tax because you cannot determine the correct amount, you should correct the amount withheld by an adjustment, credit, or refund according to the regulations relating to the RRRA.

If you pay the railroad retirement tax for your employee rather than withholding it, see Rev. Proc. 83-43, 1983-1 C.B. 778, for information on how to figure and report the proper amounts.

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 I, Tier I Medicare, and Tier II taxes, but not Federal income tax withholding. Include this amount on your employee's **Form W-2**, Wage and Tax Statement.

Former employees must pay the employee's share of these taxes with their income tax returns. You must include separately on Form W-2 the part of compensation that consists of payments for group-term life insurance over \$50,000 and the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service.

See Circular E for more information.

Depositing Taxes

How to make deposits. In general, you must deposit railroad retirement taxes with an authorized financial institution or a Federal Reserve bank. If you are not making electronic deposits (explained below), use **Form 8109**, Federal Tax Deposit Coupon, with each deposit to indicate the type of tax deposited. To avoid a possible penalty, do not mail your deposit directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

Electronic deposit requirement. If your total deposits of income tax withheld and social security, Medicare, and railroad retirement taxes were more than \$50,000 in 1996, you must make electronic deposits for all depository tax liabilities that occur after 1997. The **Electronic Federal Tax Payment System (EFTPS)** or **RRBLINK** must be used to make electronic deposits. However, if you make your Form CT-1 deposits through the Federal Reserve Bank of New York as required by Rev. Proc. 83-90, 1983-2 C.B. 615, you may continue to use that method of payment. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty. If you were first required to use EFTPS/RRBLINK on or after July 1, 1997, no penalties for failure to use EFTPS/RRBLINK will be imposed prior to July 1, 1998. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS/RRBLINK. To enroll in EFTPS, call 1-800-945-8400 or 1-800-555-4477. For general information about EFTPS, call 1-800-829-1040. To enroll in RRBLINK, call 1-888-273-2265.

¶

When your deposits are due. For Tier I and Tier II taxes, you are either a monthly or semiweekly schedule depositor. Before each year begins, you must determine which deposit schedule you must use. (For information about when to deposit the supplemental annuity work-hour tax, see **Supplemental annuity work-hour tax** below. For information about when to deposit the special supplemental annuity tax, see the line 2 instructions.)

Your deposit schedule for a calendar year is determined from the total railroad retirement taxes reported on your Form CT-1 for the lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for 1998 is 1996. If you reported **\$50,000 or less** of railroad retirement taxes for the lookback period, you are a monthly schedule depositor for the current year; if you reported **more than \$50,000**, you are a semiweekly schedule depositor. There are two exceptions—the **\$500 rule** and the **\$100,000 next-day deposit rule**. The deposit schedules and exceptions are discussed below.

New employers. During the first calendar year of your business, your taxes for the lookback period are considered to be zero. Therefore, you are a monthly schedule depositor for the first year of business (but see the **\$100,000 next-day deposit rule** below).

Monthly deposit schedule. Deposit Tier I and Tier II taxes on payments made during a calendar month by the 15th day of the following month.

Semiweekly deposit schedule. Deposit Tier I and Tier II taxes on payments made on Wednesday, Thursday, and/or Friday by the following Wednesday. Deposit taxes on payments made on Saturday, Sunday, Monday, and/or Tuesday by the following Friday.

¶

Deposits on banking days only. If a deposit is required to be made on a day that is not a banking day, the deposit is considered timely if it is made by the close of the next banking day. In addition to Federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required to be made on Friday and Friday is not a banking day, the deposit will be considered timely if it is made by the following Monday (if Monday is a banking day).

Semiweekly schedule depositors will always have at least 3 banking days to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a banking holiday, you have one additional day

to deposit. For example, if you have railroad retirement taxes accumulated for payments made on Friday and the following Monday is not a banking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

¶

\$500 rule. If your total railroad retirement taxes for the year are less than \$500, no deposits are required. Pay this tax with the Form CT-1. However, if you are unsure that you will accumulate less than \$500, deposit under the appropriate deposit rules so that you will not be subject to failure to deposit penalties.

¶

\$100,000 next-day deposit rule. If you accumulate \$100,000 or more on any day during a deposit period, you must deposit the tax by the next banking day (whether you are a monthly or semiweekly schedule depositor).

The **deposit period for a monthly schedule depositor** is a calendar month. If you are a monthly schedule depositor and you accumulate a \$100,000 railroad retirement tax liability on any one day, you become a semiweekly schedule depositor for the remainder of the calendar year and for the following calendar year.

Example. Employer B started its business on February 1, 1998. Because this was the first year of its business, the railroad retirement tax liability for its lookback period is considered to be zero, and it would be a monthly schedule depositor. On February 5, it paid compensation for the first time and accumulated a railroad retirement tax liability of \$40,000. On February 12, Employer B paid compensation and accumulated a liability of \$60,000, bringing its accumulated (undeposited) railroad retirement tax liability to \$100,000. Because Employer B accumulated \$100,000 on February 12, it became a semiweekly schedule depositor on February 13. It will be a semiweekly schedule depositor for the rest of 1998 and for 1999. Employer B must deposit the \$100,000 by February 13, the next banking day.

The **deposit periods for a semiweekly schedule depositor** are Wednesday through Friday and Saturday through Tuesday. For purposes of the \$100,000 next-day deposit rule, do not continue accumulating railroad retirement tax liability after the end of a deposit period.

Example. Employer C, a semiweekly schedule depositor, accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a \$10,000 liability on Wednesday. Because the \$10,000 liability was accumulated in a deposit period different from the one in which the \$95,000 was accumulated, the \$100,000 next-day deposit rule does not apply. Thus, Employer C must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

In addition, once Employer C accumulates at least \$100,000 in a deposit period, Employer C must stop accumulating at the end of that day and begin to accumulate anew on the next day.

Example. Employer D is a semiweekly schedule depositor. On Monday, Employer D accumulates taxes of \$110,000 and must deposit this amount by Tuesday, the next banking day. On Tuesday, Employer D accumulates additional taxes of \$30,000. Because the \$30,000 is not added to the previous \$110,000, Employer D must deposit the \$30,000 by Friday following the semiweekly deposit schedule.

¶

Adjustments and the lookback rule. Determine your railroad retirement tax liability for the lookback period based on the railroad retirement tax liability you reported on your original Form CT-1. If you made adjustments to correct errors on previously filed Forms CT-1, these adjustments do not affect the amount of the railroad retirement tax liability for purposes of the lookback rule. If you report adjustments on your current Form CT-1 to correct errors on prior year returns, include these adjustments as part of your railroad retirement tax liability for the current period. If you filed **Form 843**, Claim for Refund and Request for Abatement, to claim a refund for a prior year overpayment, your railroad retirement tax liability does not change for either the prior year or the current year for purposes of the lookback rule.

For example, an employer originally reported a railroad retirement tax liability of \$45,000 for the lookback period (1996). The employer discovered during March 1998 that the tax during the lookback period was understated by \$10,000 and corrected this error with an adjustment on the 1998 Form CT-1. The employer is a monthly schedule depositor for 1998 because the lookback period railroad retirement tax liabilities are based on the amounts originally reported and were not more than \$50,000. The \$10,000 adjustment is treated as part of the 1998 tax liability.

¶

Supplemental annuity work-hour tax. Supplemental annuity work-hour tax accumulated during a month must be deposited by the first date after the 15th day of the following month on which railroad retirement taxes are otherwise required to be deposited. For example, Employer B accumulates supplemental annuity work-hour tax for the month of February. The supplemental annuity work-hour tax must be

deposited the next time railroad retirement taxes are required to be deposited after March 15. For a monthly schedule depositor this would be April 15.

ÿ

Accuracy of deposits rule. You are required to deposit 100% of your railroad retirement tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if **both** of the following conditions are met:

ÿ1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited, and

ÿ2. The deposit shortfall is paid or deposited by the shortfall makeup date 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 \$500 or more.

• **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of the first Wednesday or Friday that comes on or after the 15th of the month following the month in which the shortfall occurred, or, if earlier, the due date of Form CT-1. For example, if a semiweekly schedule depositor has a deposit shortfall during January 1998, the shortfall makeup date is February 18, 1998 (Wednesday).

ÿ

Penalties and Interest

The law provides penalties for failure to file a return, 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 Form CT-1.

Caution: *If taxes that must be withheld are not withheld or are not deposited or paid to the IRS, the trust fund recovery penalty may apply. The penalty is 100% of such unpaid taxes. This penalty may apply to you if these unpaid taxes cannot 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, and paying over these taxes, and who acted **willfully** in not doing so. See Circular E for more details.*

Interest is charged on taxes paid late at the rate set by law.

Specific Instructions

Final return. If you stop paying taxable compensation, you must file a return and check the box at the top of the form.

Line 1. Supplemental Annuity Work-Hour Tax

The supplemental annuity work-hour tax rate is 35 cents for each employee work-hour. To figure the amount to enter on line 1 multiply 35 cents by:

- the actual hours of service performed by your employees in 1997, or
- the number of work-hours determined by using the **Safe-harbor method** described below.

Note: *To use the safe-harbor method for 1997, you must have made the election to use it with your timely filed 1996 Form CT-1.*

You must report work-hours for which you compensate the employee that involve a time or mileage factor. See **Compensation paid on a mileage or piecework basis** below.

Exception. Employees covered by a supplemental pension plan established by a collective bargaining agreement between you and those employees are exempt from the supplemental annuity work-hour tax. See the line 2 instructions below.

ÿ

Work-hours. Include time actually worked (including overtime); 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 time; and time 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.

Generally, **do not report** hours representing medical expense reimbursements or payments for periods of absence from work due to sickness or accident disability. Do not report hours representing payments made under arrangements that advance or reimburse to employees their business and away-from-home traveling expenses if

fully accounted for and substantiated. (See the regulations under section 62.) Do not include travel expenses paid under a nonaccountable plan even though they are included in compensation. Do not report tips, amounts representing bonuses, amounts received by the exercise of an employee stock option, or any separation or severance payments.

ÿ

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 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.

ÿ

Compensation paid on a mileage or piecework basis. Compensation not based on time (hour, day, month), such as compensation paid by the mile or by the piece, must be converted into the number of hours represented by the compensation paid. If an employee is paid by the mile, 1 work-hour equals the number of miles in a workday, divided by 8 hours. For a collective bargaining agreement that specifies the number of hours in a workday, the number of hours specified in the agreement may be used instead of 8.

ÿ

Safe-harbor method. Rather than figuring work-hours separately for each employee, you may choose to count the number of employees who received any compensation during the month and multiply that figure by 164 to determine the number of work-hours subject to the supplemental annuity work-hour tax for that month. Count each employee who is paid compensation during the month, even if the individual is part-time, temporary, or seasonal.

A terminated employee is counted in the month of termination (if the employee received compensation in that month), but not in any later month in which the employee does not perform services for the employer as an employee, even if the terminated employee is paid compensation in a later month. For example, an employee who receives compensation during the month of termination and receives a final paycheck the following month is counted as an employee for the month of termination but not for the following month.

If you are going to use the safe-harbor method for 1998, you must choose it by checking the box on your timely filed 1997 Form CT-1. If you choose the safe-harbor method, you must use it for the entire year.

Line 2. Special Supplemental Annuity Tax

If you are exempt from the supplemental annuity work-hour 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 annuity tax. The tax is equal to the total supplemental annuities paid to those employees each year, plus a percentage for administrative costs. Each quarter the Railroad Retirement Board will notify you of the amount due on **Form G-241**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Annuity Tax Liabilities. Total the amounts on Forms G-241, and enter the total on line 2. Attach Forms G-241 to Form CT-1. The special supplemental annuity tax must be deposited by the last day of the second month after the month that the quarter ended.

Line 3. Adjustments to Supplemental Annuity Work-Hour Tax

You may take a credit on line 3 for the total monthly reduction of employee supplemental annuities under section 2(h)(2) of the Railroad Retirement Act of 1974. Each quarter the Railroad Retirement Board will furnish you with **Form G-245**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Tax Credits, showing your supplemental annuity work-hour tax credit. Total the amounts shown on Forms G-245, and enter the total on line 3. Attach a copy of each Form G-245 to Form CT-1. The credit cannot exceed the amount on line 1 and any excess can not be claimed on line 16.

If the amount you enter on line 3 differs from the total amount shown on Forms G-245, attach an explanation to Form CT-1. Include the amounts from Forms G-245 in your explanation.

Caution: *If you need to make changes to Forms G-245, you must first contact the Railroad Retirement Board at the following address: Chief of Employer Services and Training, Railroad Retirement Board, 844 Rush Street, Chicago, IL 60611.*

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 \$65,400 per employee. Multiply by 6.2% and enter the result.

Line 6. Tier I Employer Medicare Tax

Show the amount of compensation (other than tips and sick pay) subject to Tier I Medicare tax. Multiply by 1.45% and enter the result.

Line 7. Tier II Employer Tax

Show the amount of compensation (other than tips) subject to Tier II tax. Do not show more than \$48,600 per employee. Multiply by 16.1% and enter the result.

Line 8. Tier I Employee Tax

Show the amount of compensation, including tips reported, subject to employee Tier I tax. Do not enter more than \$65,400 per employee. Multiply by 6.2% and enter the result.

Line 9. Tier I Employee Medicare Tax

Show the amount of compensation, including tips reported, subject to employee Tier I Medicare tax. Multiply by 1.45% and enter the result.

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 is required 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, 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 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, may be obtained from the IRS.

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

Stop collecting the 6.2% Tier I employee tax when the employee's wages and tips reach the maximum for the year (\$65,400 for 1997). However, your liability for Tier I employer tax on compensation continues until the compensation, not including tips, totals \$65,400 for the year.

If, by the 10th of the month after the month you received an employee's tip income report, you do not have enough employee funds available to deduct the employee tax, you no longer have to collect it.

Line 10. Tier II Employee Tax

Show the amount of compensation, including tips reported, subject to Tier II employee tax. Only the first \$48,600 of the employee's compensation for 1997 is subject to this tax. Multiply by 4.9% and enter the result. For tips, see **Tips** above.

Note: 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. Include such compensation with current year compensation on lines 5 through 10, as appropriate.

Lines 11 Through 14. Tier I Taxes on Sick Pay

Show the sick pay payments during the year subject to Tier I taxes and Tier I Medicare taxes. 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 tax), make entries on lines 11 through 14. If you are subject to only the employer or employee tax, complete only the applicable line. Multiply by the appropriate rate and enter the result on the applicable line.

Line 16. Adjustments to Taxes Based on Compensation

Use line 16 to show (a) corrections of underpayments or overpayments of taxes reported on prior year returns, (b) credits for overpayments of penalty or interest paid on tax for earlier years, and (c) a fractions of cents adjustment. (See **Fractions of cents** below.) Do not include the 1996 overpayment that is applied to this year's return (this is included on line 19). If you are reporting both an addition and a subtraction, enter only the difference between the two on line 16. You cannot claim any excess credit from line 3 here. Enter the adjustments for sick pay and fractions of cents in the appropriate line 16 entry spaces. Enter the amount of all other adjustments in the "other" entry space, and enter the total of the three types of adjustments in the line 16 entry space to the right.

Statement. Except for adjustments for fractions of cents, amounts entered on line 16 must be explained by a statement. Attach a full sheet of paper that shows at the top your name, employer identification number, calendar year of the return, and "Form CT-1." Include in the statement the following information:

y1. An explanation of the adjustment that the entry is intended to correct showing the amount of compensation subject to Tier I and Tier II taxes and the respective tax rates.

y2. The year(s) to which the adjustment relates.

y3. The amount of the adjustment for each year.

y4. The name and account number of any employee from whom employee tax was undercollected or overcollected.

y5. The manner in which you and the employee have settled any undercollection or overcollection of employee tax.

Note: For making adjustments for prior year returns, a timely filed return is considered to be filed on the last day of February of the year after the close of the tax year. Generally, the adjustment may be made only within 3 years of that date.

Fractions of cents. If there is a difference between the total employee tax on lines 8, 9, 10, 13, and 14 and the total actually deducted from your employees' compensation (including tips) plus the employer's contribution due to fractions of cents added or dropped in collecting the tax, report this difference on line 16 as a deduction or an addition. If this is the only entry on line 16, do not attach a statement to explain the adjustment to your return.

Line 17. Adjusted Total of Employer and Employee Railroad Retirement Taxes Based on Compensation

Subtract line 16 from line 15 if the net adjustment on line 16 is a decrease. Add line 16 to line 15 if the net adjustment on line 16 is an increase.

Line 19. Total Deposits for the Year

Show the total railroad retirement taxes you deposited using Form 8109, wire transfer, or EFTPS/RRBLINK. Also include any overpayment applied from your 1996 return.

Line 20. Balance Due

Subtract line 19 from line 18. You should have a balance due only if line 18 is less than \$500 unless the balance is a shortfall amount for monthly schedule depositors as explained earlier under **Accuracy of deposits rule**.

Enter on your check or money order your employer identification number, "Form CT-1," and "1997." You do not have to pay if line 20 is less than \$1.

Line 21. Overpayment

If you deposited more than the correct amount of taxes for the year, you check the first box if you want the overpayment applied to your 1998 Form CT-1. Check the second box if you want it refunded. If line 21 is less than \$1, we will send you a refund or apply it to your next return only on written request.

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 the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping—Part I, 10 hr., 17 min.; Part II, 3 hr., 7 min.; **Learning about the law or the form**—Part I, 2 hr., 23 min.; Part II, 6 min.;

Preparing, copying, assembling, and sending the form to the IRS—Part I, 6 hr., 16 min.; Part II, 9 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, see **Where and When To File** on page 1.