



RRB News

U.S. Railroad Retirement Board

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Legislation to Continue Payroll Tax Reduction and Extended Unemployment Benefits Will Aid Railroad Workers

Railroad employees will continue to receive the benefit of reduced payroll taxes and access to extended unemployment benefits under legislation signed by the President on February 22. That law, the Middle Class Tax Relief and Job Creation Act of 2012, maintains a reduction in the social security payroll tax on employees, and the corresponding tier I payroll tax rate on railroad employees, of 2 percentage points. It also provides that out-of-work rail workers can obtain extended unemployment benefits through the end of calendar year 2012.

Payroll Tax -- The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 provided a reduction of 2 percentage points in social security payroll taxes paid by employees during 2011. Railroad retirement benefits are divided into two tiers, with tier I being equivalent to social security benefits. This reduction was continued for 2 months, through the end of February 2012, by the Temporary Payroll Tax Cut Continuation Act of 2011, enacted in December 2011.

As a result of the most recent legislation, the tier I tax rate on railroad employees will continue to be 4.2 percent, a reduction from 6.2 percent, for all of calendar year 2012. Employees will continue to pay a 1.45 percent tax for Medicare hospital insurance, for a total tier I payroll tax rate of 5.65 percent. The employer tier I tax rate remains 7.65 percent. For the year, the maximum amount of earnings subject to the tier I payroll tax is \$110,100, while there is no limit on compensation subject to the Medicare tax.

Extended Unemployment Benefits -- Under previous law, railroad workers with less than 10 years of service were eligible for up to 65 days of extended unemployment benefits, while workers with 10 or more years of service could receive up to 130 days of extended benefits. To qualify for these benefits, the employee had to claim regular unemployment benefits between July 1, 2010, and August 31, 2011, with the latest date that an extended benefit period could begin as February 29, 2012.

The recently enacted law provides a 10-month extension for both the base period and the cutoff date. Specifically, it authorizes extended benefits to anyone claiming regular unemployment benefits through June 30, 2012, who exhausts his or her regular benefits. The new law also extends the cut-off date for beginning extended benefits to December 31, 2012.

(More)

As a result, unemployed workers with less than 10 years of service are eligible for up to 65 days of extended benefits within 7 consecutive 2-week registration periods. Those with 10 or more years of service can receive up to 130 days within 13 consecutive 2-week registration periods. In both cases, the latest date that an extended benefit period can begin is now December 31, 2012.

While the continued availability of these extended benefits will assist railroad workers who have been out of work for long periods of time, the RRB has seen a drop in applications and claims for unemployment benefits due to growth and hiring in the railroad industry. In fiscal year 2010, the agency processed 13,223 applications for unemployment benefits, while that number dropped to 9,222 in fiscal year 2011.

The RRB will notify individuals of their rights to extended benefits as they become eligible and also provide any applicable claim forms. Employees may file these claims securely online at the agency's website, www.rrb.gov, or mail them to the RRB office serving their area.

In addition to the website, railroad workers can get more information about the law or find the RRB office serving their area by calling the agency toll-free at 1-877-772-5772.

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