



# 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 [www.irs.gov/ct1](http://www.irs.gov/ct1).

### What's New

**VOW to Hire Heroes Act of 2011.** On November 21, 2011, the President signed into law the VOW to Hire Heroes Act of 2011. This new law provides an expanded work opportunity tax credit to businesses that hire eligible unemployed veterans and, for the first time, also makes part of the credit available to certain tax-exempt organizations. Businesses claim the credit as part of the general business credit and tax-exempt organizations claim it against their payroll tax liability using Form 5884-C, Work Opportunity Credit for Qualified Tax-Exempt Organizations Hiring Qualified Veterans. The liability reported on Form CT-1 is not reduced by the amount of the credit. The credit is available for eligible unemployed veterans who begin work on or after November 22, 2011, and before January 1, 2013. For more information about the credit, visit [www.irs.gov/form5884c](http://www.irs.gov/form5884c).

**Tier I Employee tax rate for 2012.** The Tier I Employee tax rate is 4.2%, unchanged from 2011. For 2012 tax rates and compensation bases, see *Employer and Employee Taxes—Tax Rates and Compensation Bases*, later.

**Change of Address.** Use Form 8822-B, Change of Address — Business, to notify the IRS of an address change.

### Reminders

**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, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund. Form CT-1 X is filed separately from Form CT-1. For more information, see section 13 of Pub. 15 (Circular E), Employer's Tax Guide, or visit IRS.gov and enter the words "correcting employment taxes" in the search box.

**Federal tax deposits must be made by electronic funds transfer.** You must use electronic funds transfer to make all federal tax deposits. Generally, electronic funds transfers are made using the Electronic Federal Tax Payment System (EFTPS). If you do not want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make 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 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, visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov), or call 1-800-555-4477 or 1-800-733-4829 (TDD). Additional information about EFTPS is also available in Pub. 966,

Electronic Federal Tax Payment System: A Guide to Getting Started.

**Paid preparers must sign Form CT-1.** Paid preparers must complete and sign the paid preparer's section of Form CT-1.

**Employer liability.** Employers are responsible for ensuring that tax returns are filed and deposits and payments are made, even if the employer contracts with a third party. The employer remains liable if the third party fails to perform a required action.

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

#### Additional information.

- Pub. 15 (Circular E), Employer's Tax Guide, contains information for withholding, depositing, reporting, and paying over employment taxes.
- Pub. 15-A, Employer's Supplemental Tax Guide, contains specialized and detailed employment tax information supplementing the basic information provided in Pub. 15 (Circular E).
- Pub. 15-B, Employer's Tax Guide to Fringe Benefits, contains information about the employment tax treatment of various types of noncash compensation.
- Pub. 915, Social Security and Equivalent Railroad Retirement Benefits, contains the federal income tax rules for social security benefits and equivalent Tier I railroad retirement benefits.
- The Railroad Retirement Board (RRB) website at [www.rrb.gov](http://www.rrb.gov) contains additional employer reporting information and instructions.

You can order forms and publications by calling 1-800-TAX-FORM (1-800-829-3676) or visiting [www.irs.gov/formspubs](http://www.irs.gov/formspubs).

### Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. 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

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.

## Who Must File

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 I railroad retirement taxes. Include sick pay payments on lines 7–10 of Form CT-1. Follow the reporting procedures for sick pay reporting in section 6 of Pub. 15-A.

**Disregarded entities and qualified subchapter S subsidiaries.** Regulations section 301.7701-2(c)(2)(iv) treats eligible single-owner disregarded entities and qualified subchapter S subsidiaries (QSubs) as separate entities for employment tax purposes. Under these regulations, eligible single-member entities that have not elected to be taxed as corporations must report and pay employment taxes on wages paid to their employees after December 31, 2008, using the entities' own names and EINs. For more information, see *Disregarded entities and qualified subchapter S subsidiaries* in the *Introduction* section of Pub. 15 (Circular E).

## Where To File

Send Form CT-1 to:

Department of the Treasury  
Internal Revenue Service  
Cincinnati, OH 45999-0007

## When To File

File Form CT-1 by February 28, 2013.

## 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, 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. A few exceptions are described below 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 I and Tier II 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. You are 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 and 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.

**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 1–10, as appropriate. An exception applies to nonqualified deferred compensation that was subject to Tier I and Tier II tax in a prior year. See the rules for social security, Medicare, and FUTA taxes under *Nonqualified Deferred Compensation Plans* in Pub. 15-A.

**Exceptions.** Compensation does not include:

- 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 (HSA) under section 223.

- Stock transferred to an individual pursuant to the exercise of an incentive stock option (as defined in section 422(b)) or under an employee stock purchase plan (as defined in section 423(b)); or the disposition of such stock by the individual.
- 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.
- 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** taxes only.



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

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

# Employer and Employee Taxes

## Tax Rates and Compensation Bases

Tax Rates	Compensation Paid in 2012
<u>Tier I</u>	
Employer: Pays 6.2% of first . . . . .	\$110,100
Employee: Pays 4.2% of first . . . . .	\$110,100
<u>Tier I Medicare</u>	
Employer and Employee: Each pay 1.45% of . . . . .	All
<u>Tier II</u>	
Employer: Pays 12.1% of first . . . . .	\$81,900
Employee: Pays 3.9% of first . . . . .	\$81,900

### Employer Taxes

Employers must pay both Tier I and Tier II taxes. Tier I tax is divided into two parts. The amount of compensation subject to each tax is different. See the table above for the 2012 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 (Circular E) 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 I and Tier II taxes. See the table under *Employer and Employee Taxes*, earlier, for the tax rates and compensation bases. See *Tips* below 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 the compensation on which the employee tax is computed. If you do not withhold the employee tax, you must still pay the tax. If you withhold too much or too little tax because you cannot 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.** The reporting requirement for tips only applies to cash tips. An employee who receives cash tips, whether directly or indirectly, must report them to you by the 10th of the month following the month the tips are received. Cash tips, including charged tips, must be reported for every month, unless the cash tips for the month are less than \$20. Stop collecting the Tier I Employee tax when his or her compensation and tips for tax year 2012 reach \$110,100. Collect the Tier I Employee Medicare tax for the whole year on all compensation and tips. Include all tips your employees

reported to you even if you were unable to withhold the employee's share of tax.

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 by calling 1-800-TAX-FORM (1-800-829-3676) or at IRS.gov.

Tips are considered to be paid at the time the employee reports them to you. You must collect both federal income tax and employee railroad retirement 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 do not 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 do not have enough employee funds available to withhold the employee tax, you may report the excess amount without withholding the related tax. Report uncollected Tier I Employee tax, Tier I Employee Medicare tax, and Tier II Employee tax on tips on line 12. See section 6 in Pub. 15 (Circular E).

### Depositing Taxes

For Tier I and Tier II taxes, you are 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 do not refer to how often your business pays its employees or to how often you are required to make deposits.

If you were a monthly schedule depositor for the entire year, please 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 I and Tier II 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 2013 is calendar year 2011.

Use the table below to determine which deposit schedule to follow for 2013.

IF you reported taxes for the lookback period (2011) of...	THEN for 2013 you are a...
\$50,000 or less	Monthly schedule depositor
More than \$50,000	Semiweekly schedule depositor

**Example.** Employer A reported Form CT-1 taxes as follows:

- 2011 Form CT-1—\$49,000
- 2012 Form CT-1—\$52,000

Employer A is a monthly schedule depositor for 2013 because its Form CT-1 taxes for its lookback period (calendar year 2011) were not more than \$50,000. However, for 2014, Employer A is a semiweekly schedule depositor because A's taxes exceeded \$50,000 for its lookback period (calendar year 2012).

**New employer.** If you are a new employer, your taxes for both years of the lookback period are considered to be zero. Therefore, you are 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, including any adjustments reported on that return for prior periods. Adjustments to a return for a prior period are not taken into account in determining the taxes for that prior period. See the instructions for *Line 12*, later.

**Example.** Employer B originally reported Form CT-1 taxes of \$45,000 for the lookback period (2011). B discovered in March 2013 that the tax during the lookback period (2011) was understated by \$10,000 and will correct this error with an adjustment on Form CT-1 X filed for 2011.

B is a monthly schedule depositor for 2013 because the lookback period Form CT-1 taxes are based on the amount originally reported (\$45,000), which was not more than \$50,000. The \$10,000 adjustment does not affect either 2011 taxes or 2013 taxes. See Treasury Decision 9405 at [www.irs.gov/irb/2008-32\\_IRB/ar13.html](http://www.irs.gov/irb/2008-32_IRB/ar13.html).

## When To Deposit

### Monthly Schedule Depositor

If you are a monthly schedule depositor, deposit employer and employee Tier I and Tier II taxes accumulated during a calendar month by the 15th day of the following month.

**Example.** Employer C is a monthly schedule depositor with seasonal employees. C paid wages each Friday during February but did not pay any wages during March. Under the monthly schedule deposit rule, C must deposit the combined taxes for the February paydays by March 15. C does not have a deposit requirement for March (due by April 15) because no wages were paid and, therefore, C does not have a tax liability for the month.

### Semiweekly Schedule Depositor

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

Deposit Tier I and Tier II 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.** Employer D, a semiweekly schedule depositor, pays wages on the last Saturday of each month. Although D is a semiweekly schedule depositor, D will deposit just once a month because D pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: D's taxes for the January 26, 2013 (Saturday), payday must be deposited by February 1, 2013 (Friday). Under the semiweekly deposit rule, taxes arising on Saturday through Tuesday must be deposited by the following Friday.



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

## Deposits on Business Days Only

If a deposit is due on a day that is not 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" means any legal holiday in the District of Columbia. For a list of legal holidays, see Pub. 15 (Circular E), or visit [IRS.gov](http://IRS.gov) and enter the words "legal holidays" in the search box.

Semiweekly schedule depositors will always have at least 3 business days 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 above deposit rules are the:

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

**\$2,500 Rule.** If your total Form CT-1 taxes 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 are unsure that you will accumulate less than \$2,500, deposit under the appropriate deposit rules so that you will not 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 are a monthly or semiweekly schedule depositor.

If you are a monthly schedule depositor and you accumulate \$100,000 or more on any one 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.**

Employer E is a semiweekly schedule depositor. On Monday, E accumulates taxes of \$110,000 and must deposit this amount by Tuesday, the next business day. On Tuesday, E accumulates additional taxes of \$30,000. Because the \$30,000 is not added to the previous \$110,000, E 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.** Employer F started its business on May 1, 2013. Because this was the first year of its business, its Form CT-1 taxes for its lookback period (2011) are considered to be zero, and F is a monthly schedule depositor. On May 3, F paid compensation for the first time and accumulated taxes of \$40,000. On May 10, F paid compensation and accumulated taxes of \$60,000, bringing its total accumulated (undeposited) taxes to \$100,000. Because F accumulated \$100,000 or more on May 10 (Friday), F must deposit the \$100,000 by May 13 (Monday), the next business day. F became a semiweekly schedule depositor on May 11. F will be a semiweekly schedule depositor for the rest of 2013 and for 2014.

**Example of when \$100,000 Next-Day Deposit Rule does not apply.** Employer G, 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 does **not** apply. Thus, G must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

## Electronic Deposit Requirement

You must use electronic funds transfer to make all federal tax deposits. Generally, electronic funds transfers are made using the Electronic Federal Tax Payment System (EFTPS). To get more information about EFTPS or to enroll in EFTPS, visit the EFTPS website at [www.eftps.gov](http://www.eftps.gov) or call 1-800-555-4477. Additional information about EFTPS is also available in Pub. 966.



*For an EFTPS deposit to be on time, you must initiate 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 initiate 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 Application (FTA). 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 provide your financial institution to make a same-day wire payment, visit [www.eftps.gov](http://www.eftps.gov) to download the *Same-Day Payment Worksheet*.

**Accuracy of Deposits Rule.** You are required to deposit 100% of your railroad retirement taxes 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:

1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited, and
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 or the due date of Form CT-1. For example, if a semiweekly schedule depositor has a deposit shortfall during January 2013, the shortfall makeup date is February 15, 2013 (Friday).

## Penalties and Interest

The law provides penalties for failure to file a return, late filing of a return, late payment of taxes, failure to make deposits, and late deposits unless reasonable cause is shown. Interest is charged on taxes paid late at the rate set by law. For more information, see Pub. 15 (Circular E).

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. Do **not** attach an explanation when you file your return.

Use Form 843, Claim for Refund and Request for Abatement, to request abatement of assessed penalties or interest. Do not 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 a failure-to-deposit 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 [www.irs.gov/pub/irs-irbs/irb01-50.pdf](http://www.irs.gov/pub/irs-irbs/irb01-50.pdf).

**Trust fund recovery penalty.** If taxes that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid taxes. 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. For more information, see *Trust fund recovery penalty* in section 11 of Pub. 15 (Circular E).



## Specific Instructions

**Final return.** If you stop paying taxable compensation and will not 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 "2012." This final return should furnish information showing the last date on which you paid compensation you reported on Form CT-1.

The final return should be accompanied by a statement providing 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 was not transferred or the transferee is not known, the statement should so state. The statement should be furnished in duplicate.



*Processing of your return may be delayed if you do not provide the required amounts in the Compensation and Tax columns.*

### Line 1—Tier I Employer Tax

Enter the compensation (other than tips and sick pay) subject to Tier I Employer tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. Do not enter more than \$110,100 per employee in the *Compensation* column on lines 1 and 7 combined.

### Line 2—Tier I Employer Medicare Tax

Enter the compensation (other than tips and sick pay) subject to Tier I Employer Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column.

### Line 3—Tier II Employer Tax

Enter the compensation (other than tips) subject to Tier II Employer tax in the *Compensation* column. Do not enter more than \$81,900 per employee. Multiply by 12.1% and enter the result in the *Tax* column.

### Line 4—Tier I Employee Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier I Employee tax in the *Compensation* column. Multiply by 4.2% and enter the result in the *Tax* column. Do not enter more than \$110,100 per employee in the *Compensation* column on lines 4 and 9 combined.

Stop collecting the 4.2% Tier I **Employee** tax when the employee's wages (including sick pay) **and tips** reach the maximum for the year (\$110,100 for 2012). However, your liability for Tier I **Employer** tax on compensation continues until the compensation (including sick pay), but **not including tips**, totals \$110,100 for the year.

### Line 5—Tier I Employee Medicare Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier I 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 II Employee Tax

Enter the compensation, including tips reported, subject to Tier II Employee tax in the *Compensation* column. Only the first \$81,900 of the employee's compensation for 2012 is

subject to this tax. Multiply by 3.9% 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 Publication 15-A. Include such compensation with current year compensation on lines 1–6, as appropriate.*

### Lines 7–10—Tier I Taxes on Sick Pay

Enter any sick pay payments during the year that are subject to Tier I taxes and Tier I Medicare taxes in the *Compensation* column. Multiply by the rate for the line and enter the result in the *Tax* column for that line. For Tier I Employer taxes, do not enter more than \$110,100 per employee in the *Compensation* column on lines 1 and 7 combined. For Tier I Employee taxes, do not enter more than \$110,100 per employee in the *Compensation* column on lines 4 and 9 combined. Tier I Medicare taxes are not subject to this limitation.

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 7–10. If you are 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 12—Adjustments to Taxes Based on Compensation



*Do not use line 12 for prior period adjustments. Make all prior period adjustments on Form CT-1 X.*

#### Enter on line 12:

- 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 I Employee tax, Tier I Employee Medicare tax, and Tier II Employee tax on tips.

Enter the total of these adjustments in the *Tax* column. If you are reporting both an addition and a subtraction, enter only the difference between the two on line 12. If the net adjustment is negative, report the amount on line 12 using a minus sign, if possible. If your computer software does not allow the use of minus signs, you may use parentheses.

Do not include on line 12 any 2011 overpayment that is applied to this year's return (this is included on line 14).

**Required statement.** Except for adjustments for fractions of cents, explain amounts entered on line 12 in a separate statement. Include your name, employer identification number (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 I and Tier II 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 difference between the total employee tax (lines 4, 5, 6, 9, and 10) and the total actually withheld (employee compensation including tips plus the employer's contribution) due to rounding fractions of cents when collecting the tax, report the deduction or addition on line 12.



*If this is the only entry on line 12, you are not required to attach a statement explaining the adjustment.*

## Line 13—Total Railroad Retirement Taxes Based on Compensation

Combine the amounts shown on lines 11 and 12 and enter the result on line 13.

## Line 14—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 2011 return.

## Line 15—Balance Due

If line 13 is more than line 14, enter the difference on line 15. Otherwise, see *Overpayment* below. You do not have to pay if line 15 is under \$1. Generally, you should show a balance due on line 15 only if your total railroad retirement taxes based on compensation for the year (line 13) is less than \$2,500. However, see *Accuracy of Deposits Rule*, earlier, regarding payments made under the accuracy of deposits rule.

You may pay the amount shown on line 15 using EFTPS or a check or money order. For more information on electronic payment options, visit the IRS website at [www.irs.gov/e-pay](http://www.irs.gov/e-pay).

If you pay by EFTPS, file your return using the address under *Where To File*, earlier. Do not file Form CT-1(V), Payment Voucher. If you pay by check or money order, make it payable to the "United States Treasury." Enter your EIN, Form CT-1, and the tax period on your check or money order. Complete Form CT-1(V) and enclose with Form CT-1.

## Line 16—Overpayment

If line 14 is more than line 13, enter the difference on line 16. **Never make an entry on both lines 15 and 16.** If line 16 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 16. Check only one box on line 16. If you do not check either box or if you check both boxes, generally we will apply the overpayment to your account. We may apply your overpayment to any past due tax account that is shown in our records under your EIN.

## 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 13 is less than \$2,500, do not complete Part II or Form 945-A.

If you are a monthly schedule depositor, enter your tax liability for each month and figure the total liability for the year. If you do not enter your tax liability for each month, the IRS will not know when you should have made deposits and may assess an "averaged" failure-to-deposit penalty. See section 11 of Pub. 15 (Circular E). If your tax liability for any month is negative (for example, if you are adjusting an overreported liability in a prior month), do not 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.

**Note.** The amount shown on line V must equal the amount shown on line 13.

If you are 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. Do not complete lines I–V if you file Form 945-A.

## Third-Party Designee

If you want to allow an employee of your business, a return preparer, or another third party to discuss your 2012 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 the "Yes" box, you are authorizing the IRS to speak with the designee to answer any questions relating to the processing of or the information reported on Form CT-1. You are also authorizing the designee to:

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

You are 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, Practice Before the IRS and Power of Attorney.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your 2012 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. See Pub. 947 for more information.

## Who Must Sign

Form CT-1 must be signed as follows:

- **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 at [www.irs.gov/irb/2005-28\\_IRB/ar16.html](http://www.irs.gov/irb/2005-28_IRB/ar16.html).

## **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 is not 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 are a paid preparer, write your preparer tax identification number (PTIN) in the space provided. Include

your complete address. If you work for a firm, write the firm's name and the EIN of the firm. You can apply for a PTIN at [www.irs.gov/ptin](http://www.irs.gov/ptin), or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal. You cannot use your PTIN in place of the EIN of the tax preparation firm.

Generally, you are not required to complete this section if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, 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.