



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.

What's New

Changes to tax rates and compensation bases. For the 2016 tax rates and compensation bases, see *Employer and Employee Taxes*, later.

Reminders

Tier 1 Employee Additional Medicare Tax withholding. In addition to withholding Tier 1 Employee Medicare tax at 1.45%, you must withhold a 0.9% Tier 1 Employee Additional Medicare Tax from compensation you pay to an employee in excess of \$200,000 in a calendar year. You're required to begin withholding Tier 1 Employee Additional Medicare Tax in the pay period in which you pay compensation in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Tier 1 Employee Additional Medicare Tax is only imposed on the employee. There is no employer share of Tier 1 Additional Medicare Tax. All compensation that is subject to Tier 1 Medicare tax is subject to Tier 1 Employee Additional Medicare Tax withholding if paid in excess of the \$200,000 withholding threshold.

Visit IRS.gov and enter "Additional Medicare Tax" in the search box for more information on Tier 1 Employee Additional Medicare Tax.

Change of address. Use Form 8822-B to notify the IRS of an address change.

Correcting a previously filed Form CT-1. If you discover an error on a previously filed Form CT-1, make the correction using Form CT-1 X. Form CT-1 X is filed separately from Form CT-1. For more information, see the Instructions for Form CT-1 X or visit IRS.gov and enter "correcting employment taxes" in the search box.

Federal tax deposits must be made by electronic funds transfer (EFT). You must use EFT to make all federal tax deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS). If you don't want to use EFTPS, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of 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, or call

1-800-555-4477 or 1-800-733-4829 (TDD). Additional information about EFTPS is also available in Pub. 966.

Outsourcing payroll duties. You're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. If you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over income taxes and taxes imposed by the Railroad Retirement Tax Act) to a third-party payer, such as a payroll service provider or reporting agent, visit IRS.gov and enter "outsourcing payroll duties" in the search box for helpful information on this topic.

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

Where can you get telephone help? You can call the IRS Business and Specialty Tax Line at 1-800-829-4933 or 1-800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability) Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time) for answers to your questions about completing Form CT-1 or tax deposit rules.

Additional information.

- Pub. 15 contains information for withholding, depositing, reporting, and paying over employment taxes.
- Pub. 15-A contains specialized and detailed employment tax information supplementing the basic information provided in Pub. 15.
- Pub. 15-B contains information about the employment tax treatment of various types of noncash compensation.
- Pub. 915 contains the federal income tax rules for social security benefits and equivalent Tier 1 railroad retirement benefits.
- The Railroad Retirement Board (RRB) website at www.rrb.gov contains additional employer reporting information and instructions.

How to get forms and publications. You can download or print some of the forms and publications you may need on www.irs.gov/formspubs. Otherwise, you can go to www.irs.gov/orderforms to place an order and have forms mailed to you. You should receive your order within 10 business days.

Photographs of Missing Children

The IRS 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

These instructions give you some background information about Form CT-1. They tell you who must file Form CT-1, how to complete it line by line, and when and where to file it.

Use Form CT-1 to report taxes imposed by the Railroad Retirement Tax Act (RRTA). Use Form 941, Employer's QUARTERLY Federal Tax Return, or, if applicable, Form 944, Employer's ANNUAL Federal Tax Return, to report federal income taxes withheld from your employees' wages and other compensation.

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 1 railroad retirement taxes. Include sick pay payments on lines 8–11 and, if the withholding threshold is met, line 12 of Form CT-1. Follow the reporting procedures for sick pay reporting in section 6 of Pub. 15-A.

After you file your first Form CT-1, you must file a return for each year, even if you didn't pay taxable compensation during the year, until you file a final return.

Disregarded entities and qualified subchapter S subsidiaries (QSubs). Eligible single-owner disregarded entities and QSubs are treated as separate entities for employment tax purposes. Eligible single-member entities that haven't elected to be taxed as corporations must report and pay employment taxes on compensation paid to their employees using the entities' own names and EINs. See Regulations sections 1.1361-4(a)(7) and 301.7701-2(c)(2)(iv).

Where To File

Send Form CT-1 to:

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

When To File

File Form CT-1 by February 28, 2017.

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 1 and Tier 2 taxes, but not to federal income tax withholding. Include this amount on your employee's Form W-2, Wage and Tax Statement.

Former employees for whom you paid the cost of group-term life insurance over \$50,000 must pay the

employee's share of these taxes with their Form 1040, U.S. Individual Income Tax Return. You're not required to collect those taxes. For former employees, you must include on Form W-2 the part of compensation that consists of the cost of group-term life insurance over \$50,000. You must also separately report on Form W-2 the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service. For more information, see section 2 of Pub. 15-B and the General Instructions for Forms W-2 and W-3.

Timing. Compensation is considered paid when it is actually paid or when it is constructively paid. It is constructively paid when it is set apart for the employee, or credited to an account the employee can control, without any substantial limit or condition on how and when the payment is to be made.

Any compensation paid during the current year that was earned in a prior year is taxable at the current year's tax rates; you must include the compensation with the current year's compensation on Form CT-1, lines 1–12, as appropriate. An exception applies to nonqualified deferred compensation that was subject to Tier 1 and Tier 2 tax in a prior year. See the rules for nonqualified deferred compensation plans in section 5 of Pub. 15-A.

Exceptions. Compensation doesn't include the following.

- Certain benefits provided to or on behalf of an employee if at the time the benefits are provided it is reasonable to believe the employee can exclude such benefits from income. For information on what benefits are excludable, see Pub. 15-B. Examples of this type of benefit include:

1. Certain employee achievement awards under section 74(c),
 2. Certain scholarship and fellowship grants under section 117,
 3. Certain fringe benefits under section 132, and
 4. Employer payments to an Archer MSA under section 220 or health savings accounts (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.

Exceptions for sickness or accident disability

payments. For purposes of employee and employer Tier 1 taxes, compensation doesn't include sickness or accident disability payments made to or on behalf of an employee or dependents:

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

For purposes of **Tier 2** taxes, compensation doesn't include payments made to or on behalf of an employee or dependents under a sickness or accident disability plan or a medical or hospitalization plan in connection with sickness or accident disability.

Employer and Employee Taxes

Tax Rates and Compensation Bases

Tax Rates	Compensation Paid in 2016
Tier 1	
Employer and Employee: Each pay 6.2% of first	\$118,500
Tier 1 Medicare	
Employer and Employee: Each pay 1.45% of	All
Tier 1 Employee Additional Medicare Tax withholding	
Employee: Pays 0.9% on compensation exceeding	\$200,000
Tier 2	
Employer: Pays 13.1% of first	\$88,200
Employee: Pays 4.9% of first	\$88,200

Employer Taxes

Employers must pay both Tier 1 and Tier 2 taxes, except for Tier 1 Employee Additional Medicare Tax. Tier 1 tax is divided into two parts. The amount of compensation subject to each tax is different. See the table above for the 2016 tax rates and compensation bases.

Concurrent employment. If two or more related corporations that are rail employers employ the same individual at the same time and pay that individual through a common paymaster that is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement taxes than a single employer would. See Regulations section 31.3121(s)-1 for more information.

Successor employers. Successor employers should see section 3231(e)(2)(C) and Pub. 15 to see if they can use the predecessor's compensation paid against the maximum compensation bases.

Employee Taxes

You must withhold the employee's part of Tier 1 and Tier 2 taxes. See the table under *Employer and Employee Taxes*, earlier, for the tax rates and compensation bases. See *Tips* 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 employee compensation. If you don't withhold the employee tax, you must still pay the tax. If you withhold too much or too little tax because you can't determine the correct amount, correct the amount withheld by an adjustment, credit, or refund according to the applicable regulations.

If you pay the railroad retirement tax for your employee rather than withholding it, the amount of the employee's compensation is increased by the amount of that tax. See

Rev. Proc. 83-43, 1983-1 C.B. 778, for information on how to figure and report the proper amounts.

Tips. Your employee must report cash tips to you by the 10th day of the month following the month the tips are received. The report should include charged tips you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement. Both directly and indirectly tipped employees must report tips to you. Cash tips must be reported for every month, unless the cash tips for the month are less than \$20. Stop collecting the Tier 1 Employee tax when his or her compensation and tips for tax year 2016 reach \$118,500. Collect the Tier 1 Employee Medicare tax for the whole year on all compensation and tips. Collect the Tier 1 Employee Additional Medicare Tax withholding on compensation and tips that exceed \$200,000 for the calendar year.

An employee must furnish you with a written (or electronic) statement of cash tips, signed by the employee, showing (a) his or her name, address, and social security number; (b) your name and address; (c) the month or period for which the statement is furnished; and (d) the total amount of cash tips. Pub. 1244, *Employee's Daily Record of Tips and Report to Employer*, a booklet for daily entry of tips and forms to report tips to employers, is available at www.irs.gov/formspubs.

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

If, by the 10th of the month after the month you received an employee's tip income report, you don't have enough employee funds available to withhold the employee tax, you may report the excess amount without withholding the related tax. Include the tips your employees report to you on lines 4, 5, 6, and 7, even if you were unable to withhold the employee's share of tax. Then report the uncollected Tier 1 Employee tax, Tier 1 Employee Medicare tax, Tier 1 Employee Additional Medicare Tax withholding, and Tier 2 Employee tax on tips on line 14. See section 6 in Pub. 15.

Depositing Taxes

For Tier 1 and Tier 2 taxes, you're either a monthly schedule depositor or a semiweekly schedule depositor. However, see the *\$2,500 Rule* and the *\$100,000 Next-Day Deposit Rule* under *Exceptions to the Deposit Rules*, later. The terms "monthly schedule depositor" and "semiweekly schedule depositor" identify which set of rules you must follow when a tax liability arises (for example, when you have a payday). They don't refer to how often your business pays its employees or to how often you're required to make deposits.

If you were a monthly schedule depositor for the entire year, complete the *Monthly Summary of Railroad Retirement Tax Liability* in Part II of Form CT-1. If you were a semiweekly schedule depositor during any part of the year or you accumulated \$100,000 or more on any day during a deposit period, you must complete Form 945-A, *Annual Record of Federal Tax Liability*.

Lookback Period

Before each year begins, you must determine the deposit schedule to follow for depositing Tier 1 and Tier 2 taxes for a calendar year. This is determined from the total taxes reported on your Form CT-1 for the calendar year lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for calendar year 2017 is calendar year 2015.

Use the table below to determine which deposit schedule to follow for 2017.

IF you reported taxes for the lookback period (2015) of...	THEN for 2017 you're 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.

- 2015 Form CT-1—\$49,000.
- 2016 Form CT-1—\$52,000.

Employer A is a monthly schedule depositor for 2017 because its Form CT-1 taxes for its lookback period (calendar year 2015) weren't more than \$50,000. However, for 2018, Employer A is a semiweekly schedule depositor because A's taxes exceeded \$50,000 for its lookback period (calendar year 2016).

New employer. If you're a new employer, your taxes for both years of the lookback period are considered to be zero. Therefore, you're a monthly schedule depositor for the first and second years of your business. However, see *\$100,000 Next-Day Deposit Rule*, later.

Adjustments and the lookback rule. To determine the amount of taxes paid for the lookback period, use only the Form CT-1 taxes reported on your original return. Adjustments to a return for a prior period aren't taken into account in determining the taxes for that prior period.

Example. Employer B originally reported Form CT-1 taxes of \$45,000 for the lookback period (2015). B discovered in March 2017 that the tax during the lookback period (2015) was understated by \$10,000 and will correct this error with an adjustment on Form CT-1 X filed for 2015.

B is a monthly schedule depositor for 2017 because the lookback period Form CT-1 taxes are based on the amount originally reported (\$45,000), which wasn't more than \$50,000. For purposes of the lookback rule, the \$10,000 adjustment doesn't affect either 2015 taxes or 2017 taxes. See Treasury Decision 9405 available at www.irs.gov/irb/2008-32_IRB/ar13.html.

When To Deposit

Monthly Schedule Depositor

If you're a monthly schedule depositor, deposit employer and employee Tier 1 and Tier 2 taxes accumulated during a calendar month by the 15th day of the following month.

Example. Employer C is a monthly schedule depositor with seasonal employees. C paid compensation each Friday during March but didn't pay any compensation during April. Under the monthly schedule deposit rule, C must deposit the combined taxes for the March paydays by April 15. C doesn't

have a deposit requirement for April (due by May 15) because no compensation was paid and, therefore, C doesn't have a tax liability for the month.

Semiweekly Schedule Depositor

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

Deposit Tier 1 and Tier 2 taxes for payments made on...	No later than...
Wednesday, Thursday, and/or Friday	The following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	The following Friday

Example. Employer D, a semiweekly schedule depositor, pays compensation on the last Saturday of each month. Although D is a semiweekly schedule depositor, D will deposit just once a month because D pays compensation only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: D's taxes for the May 27, 2017 (Saturday), payday must be deposited by June 2, 2017 (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 Due on Business Days Only

If a deposit is required to be made on a day that isn't a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. For example, if a deposit is due on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day). The term "legal holiday" for deposit purposes includes only those legal holidays in the District of Columbia. For a list of legal holidays, see Pub. 15.

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're unsure that you will accumulate less than \$2,500, deposit under the appropriate deposit rules so that you won't be subject to deposit penalties.

\$100,000 Next-Day Deposit Rule. If you accumulate undeposited taxes of \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next business day regardless of whether you're a monthly or semiweekly schedule depositor.

If you're a monthly schedule depositor and you accumulate \$100,000 or more on any day during the month, you become a semiweekly schedule depositor on the next day for the remainder of the calendar year and for the following year.

Once a semiweekly schedule depositor accumulates \$100,000 or more in a deposit period, it must stop accumulating at the end of that day and begin to accumulate anew on the next day. The following examples explain this rule.

Example of \$100,000 Next-Day Deposit Rule.

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 isn't 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, 2017. Because this was the first year of its business, its Form CT-1 taxes for its lookback period (2015) are considered to be zero, and F is a monthly schedule depositor. On May 5, F paid compensation for the first time and accumulated taxes of \$40,000. On May 12, 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 12 (Friday), F must deposit the \$100,000 by May 15 (Monday), the next business day. F became a semiweekly schedule depositor on May 13. F will be a semiweekly schedule depositor for the rest of 2017 and for 2018.

Example of when \$100,000 Next-Day Deposit Rule doesn't 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 doesn't apply. Thus, G must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

Electronic Deposit Requirement

You must use EFT to make all federal tax deposits. Generally, an EFT is made using EFTPS. To get more information about EFTPS or to enroll in EFTPS, visit the EFTPS website at 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.



For an EFTPS deposit to be on time, you must submit the deposit by 8 p.m. Eastern time the day before the date the deposit is due.

Same-day wire payment option. If you fail to submit a deposit transaction on EFTPS by 8 p.m. Eastern time the day before the date a deposit is due, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS). To 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.irs.gov/payments and click on *Same-day wire*.

Accuracy of Deposits Rule. You're required to deposit 100% of your railroad retirement taxes on or before the deposit due date. However, penalties won't be applied for depositing less than 100% if both of the following conditions are met.

1. Any deposit shortfall doesn't exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited.

2. The deposit shortfall is paid or deposited by the shortfall makeup date for each type of depositor as described below.

- **Monthly schedule depositor.** Deposit the shortfall or pay it with your return by the due date of Form CT-1. You may pay the shortfall with Form CT-1 even if the amount is \$2,500 or more.

- **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of the first Wednesday or Friday on or after the 15th of the month following the month in which the shortfall occurred. For example, if a semiweekly schedule depositor has a deposit shortfall during January 2017, the shortfall makeup date is February 15, 2017 (Wednesday).

Penalties and Interest

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

If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Don't attach an explanation when you file your return.

Use Form 843 to request abatement of assessed penalties or interest. Don't request abatement of assessed penalties or interest on Form CT-1 or Form CT-1 X.

Order in which deposits are applied. Generally, tax deposits are applied first to the most recent tax liability within the specified tax period to which the deposit relates. If you receive 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.

Trust fund recovery penalty. If taxes that must be withheld aren't withheld or aren't deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid taxes. If these unpaid taxes can't be immediately collected from the employer or business, the trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. For more information, see *Trust fund recovery penalty* in section 11 of Pub. 15.

Specific Instructions

Final Return

If you stop paying taxable compensation and won't have to file Form CT-1 in the future, you must file a final return and check the final return box at the top of Form CT-1 under "2016." The final return should be accompanied by a statement providing the last date on which you paid compensation that you reported on Form CT-1, the address at which the records for your Forms CT-1 will be kept, and the name of the person keeping the records. If the business has been transferred to another person, the statement should include the name and address of the transferee and the date of the transfer. If the business wasn't transferred or the transferee isn't known, the statement should so state.



Processing of your return may be delayed if you don't provide the required amounts in the Compensation and Tax columns.

Line 1—Tier 1 Employer Tax

Enter the compensation (other than tips and sick pay) subject to Tier 1 Employer tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than \$118,500 per employee.

Line 2—Tier 1 Employer Medicare Tax

Enter the compensation (other than tips and sick pay) subject to Tier 1 Employer Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column.

Line 3—Tier 2 Employer Tax

Enter the compensation (other than tips) subject to Tier 2 Employer tax in the *Compensation* column. Don't enter more than \$88,200 per employee. Multiply by 13.1% and enter the result in the *Tax* column.

Line 4—Tier 1 Employee Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier 1 Employee tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the *Compensation* column for lines 4 and 10 combined may not be more than \$118,500 per employee.

Stop collecting the 6.2% Tier 1 **Employee** tax when the employee's compensation (including sick pay) **and tips** reach the maximum for the year (\$118,500 for 2016). However, your liability for Tier 1 **Employer** tax on compensation continues until the compensation (including sick pay), but **not including tips**, totals \$118,500 for the year.

Line 5—Tier 1 Employee Medicare Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier 1 Employee Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column. For information on reporting tips, see *Tips*, earlier.

Line 6—Tier 1 Employee Additional Medicare Tax Withholding

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

Visit IRS.gov and enter "Additional Medicare Tax" in the search box for more information on Tier 1 Employee Additional Medicare Tax.

Line 7—Tier 2 Employee Tax

Enter the compensation, including tips reported, subject to Tier 2 Employee tax in the *Compensation* column. Only the first \$88,200 of the employee's compensation (including tips) for 2016 is subject to this tax. Multiply by 4.9% and enter the result in the *Tax* column. For information on reporting tips, see *Tips*, earlier.



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

Lines 8–12—Tier 1 Taxes on Sick Pay

Enter any sick pay payments during the year that are subject to Tier 1 taxes, Tier 1 Medicare taxes, and Tier 1 Employee Additional Medicare Tax withholding in the *Compensation* column. Multiply by the rate for the line and enter the result in the *Tax* column for that line. For Tier 1 Employer taxes, the total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than \$118,500 per employee. For Tier 1 Employee taxes, the total amount listed in the *Compensation* column for lines 4 and 10 combined may not be more than \$118,500 per employee. Tier 1 Medicare taxes aren't subject to a dollar limitation.

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

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

Line 13—Total Tax Based on Compensation

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

Line 14—Adjustments to Taxes Based on Compensation



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

Enter on line 14:

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

Enter the total of these adjustments in the *Tax* column. If you're reporting both an addition and a subtraction, enter only the difference between the two on line 14. If the net adjustment is negative, report the amount on line 14 using a minus sign, if possible. If your computer software doesn't allow the use of minus signs, you may use parentheses.

Don't include on line 14 any 2015 overpayment that is applied to this year's return (this is included on line 16).

Required statement. Except for adjustments for fractions of cents, explain amounts entered on line 14 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 1 and Tier 2 taxes and their respective tax rates.
- The amount of the adjustment.
- The name and account number of any employee from whom employee tax was undercollected or overcollected.
- How you and the employee have settled any undercollection or overcollection of employee tax.

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



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

Line 15—Total Railroad Retirement Taxes Based on Compensation

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

Line 16—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 2015 return.

Line 17—Balance Due

If line 15 is more than line 16, enter the difference on line 17. Otherwise, see *Overpayment* below. You don't have to pay if

line 17 is under \$1. Generally, you should show a balance due on line 17 only if your total railroad retirement taxes based on compensation for the year (line 15) is less than \$2,500. However, see *Accuracy of Deposits Rule*, earlier, regarding payments made under the accuracy of deposits rule.

If you were required to make federal tax deposits, pay the amount shown on line 17 by EFT. If you weren't required to make federal tax deposits, you may pay the amount shown on line 17 by EFT, check, or money order. For more information on electronic payment options, visit the IRS website at www.irs.gov/payments.

If you pay by EFT, file your return using the address under *Where To File*, earlier. Don't file Form CT-1(V), Payment Voucher. If you pay by check or money order, make it payable to "United States Treasury." Enter your EIN, "Form CT-1," and "2016" on your check or money order. Complete Form CT-1(V) and enclose with Form CT-1.

Line 18—Overpayment

If line 16 is more than line 15, enter the difference on line 18. **Never make an entry on both lines 18 and 17.** If line 18 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 18. Check only one box on line 18. If you don't 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 15 is less than \$2,500, don't complete Part II or Form 945-A.

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

Note. The amount shown on line V must equal the amount shown on line 15.

If you're a semiweekly schedule depositor or if you accumulate \$100,000 or more in tax liability on any day in a deposit period, you must complete Form 945-A and file it with Form CT-1. Don't complete lines I–V if you file Form 945-A.

Third-Party Designee

If you want to allow an employee of your business, a return preparer, or another third party to discuss your 2016 Form CT-1 with the IRS, check the "Yes" box in the *Third-Party Designee* section. Also, enter the designee's name, phone number, and any five digits that person chooses as his or her personal identification number (PIN).

By checking "Yes" you authorize the IRS to talk to the person you named (your designee) about any questions we

may have while we process your return. You also authorize your designee to do all of the following.

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

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

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your 2016 Form CT-1. If you or your designee wants to revoke this authorization, send the revocation or withdrawal to the IRS office at which you file your Form CT-1.

Who Must Sign

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

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

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

Alternative signature method. Corporate officers or duly authorized agents may sign Form CT-1 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at 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 isn't an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you're a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, visit the IRS website at www.irs.gov/ptin. You can't use your PTIN in place of the EIN of the tax preparation firm.

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