

Labor Employer Reporting Instructions
Part IV – Particular Types of Compensation Payments
Chapter 10: Miscellaneous Compensation and Sick Pay

Definition of Miscellaneous Compensation

Miscellaneous compensation is any payment which is subject to Tier I taxes and is creditable as Tier I compensation, but cannot be credited as regular compensation. Miscellaneous compensation, as referred to in these instructions, must meet the following conditions:

- The payment is subject to railroad retirement tax;
- The payment is remuneration for services rendered in an earlier year;
- The payment cannot be credited to the earlier year because the employee already has maximum Tier I compensation credit in that year; and
- The payment cannot be credited to the year when the payment is made because no service was performed in the year of payment and the employer reports compensation generally on an earned basis. See Chapter 1 of this Part, for an explanation of earned basis.

Example of Miscellaneous Compensation

An employee resigns on 12/31/03 and retires on 01/01/04. He earned and received payments totaling \$83,000 in 2003, and received a payment of \$6,000 in March 2004 for his last pay period in 2003, for vacation pay and other benefits earned but not paid in 2003. Because the employer generally reports on an earned basis, the employer filed an adjustment increasing 2003 compensation by an additional \$4,000 bringing the total compensation for 2003 to the maximum of \$87,000. The remaining \$2,000 paid in 2004 is reported as miscellaneous compensation for 2004.

Taxable and Creditable Miscellaneous Compensation

In the example, you will note that the entire \$6,000 paid in 2004 is subject to Tier I, Tier II, and Medicare taxes at the 2004 tax rate. While the taxable and creditable compensation are not always equal for each year, particularly for employers who report compensation on an earned basis, the amounts will usually be equal in the aggregate for all years. In the previous example, the creditable Tier I compensation (after the adjustment) for 2003 is \$87,000 and \$2,000 for 2004. The total creditable compensation for the two years is \$89,000. The taxable compensation for 2003 is \$83,000; and \$6,000 for 2004 for a total of \$89,000.

Definition of Sick Pay Paid by the Labor Organization

Sick pay is compensation paid under a plan or agreement available on the same basis to employees in a like class and payable for days not worked on account of injury, illness, sickness, disease, pregnancy, or childbirth. If an employee receives his or her regular earnings, wages, or salary while off sick, this is not sick pay but regular earnings.

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If your organization pays sick pay to your employees, request a copy of The [Reporting Instructions for Creditable Sickness Payments](#) from the RRB's Quality reporting Service Center.

Report Miscellaneous Compensation and Sick Pay on Form BA-3

Because sick pay and miscellaneous pay are both creditable only as Tier I compensation, they are reported separately from regular earnings to help ensure the integrity of our records.

Employers should use Form BA-3, Annual Report of Creditable Compensation, to report this type of compensation. See [Part V, Chapter 3](#) for information on how to complete Form BA-3.