

**Labor Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 7: Form ID-6, Transmittal of Tier I Tax Transactions on Sickness Benefits**

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**Legislative Background**

An amendment to the Social Security Act in 1981 provided that certain sick pay is subject to social security taxes. Corresponding legislation amended the Railroad Retirement Tax Act and provided that certain railroad sickness insurance benefits paid after December 31, 1981 are subject to railroad retirement Tier I and Medicare taxes. Included are sickness benefits paid under the Railroad Unemployment Insurance Act (RUIA)

**Employers Pay Share of Tax on RRB Sickness Benefits**

Upon notice, an employer must pay the employer share of Tier I tax due on sickness benefits paid by the Railroad Retirement Board (RRB.) Form ID-6 is the employer's notice of tax due.

**Form ID-6**

The RRB notifies railroad employers each month by Form Letter ID-6 of the amounts of benefits paid subject to Tier I tax. The notice contains a list showing:

1. the gross amount of taxable sickness benefits paid to each employee;
2. the amount of the Tier I tax withheld by the RRB; and
3. the applicable month and year.

Upon notification by the RRB, the employer should remit its share of taxes to the Internal Revenue Service (IRS) unless the carrier has already paid the maximum Tier I creditable compensation for the employee for the year. In such a case, the employer should remit the employer share of Medicare tax.

**Form ID-6y**

At the end of the year, Form ID-6y, Summary Transmittal of Tier I Tax Transactions on Sickness Benefits, is sent to employers summarizing the Forms ID-6 sent during the year.

**RRB Sickness Benefits and Form CT-1**

Employers should report on Form CT-1 their matching Tier I tax payments made on RRB sickness benefits.

The RRB withholds the employee Tier I tax from sickness benefits and remits the taxes on a daily basis to the IRS. The RRB files Form CT-1 with the IRS to report employees' Tier I tax withheld on sick pay.

**RRB Sickness Benefits and Form BA-10**

The RRB, not the employers, completes Form BA-10, Report of Miscellaneous Compensation and Sick Pay, in order to credit employees' service and compensation records with the creditable sickness benefits paid under the RUIA.

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**What Sickness Benefits are Subject to Tax?**

Sickness benefits under the RUIA are subject to Tier I taxes if:

- The benefits are paid before the end of the 6-month period immediately following the month in which the employee last worked; and
- The benefits are not paid for an on-the-job injury.

Benefits for days of sickness within the taxable period that are paid after the end of the period are not taxable. The date of payment, rather than the date of sickness, is controlling.

**Examples of Benefits Paid During Taxable Period**

Employee A became sick on May 15. The taxable period begins on May 15 and ends on November 30, the last day of the sixth month following the month in which he last worked.

Employee B breaks her ankle playing softball after work on September 3. She returns to work November 15. On December 7, she becomes ill. Benefits paid September 3 through March 31 for the ankle injury are taxable because the benefits are paid within the 6-month period following September. Benefits paid December 7 through June 30 for the illness are taxable because they are paid within the 6-month period following December. Thus, all benefits paid from September 3 through June 30 are taxable.

**Example of Benefits Paid After End of Taxable Period**

Employee C last worked and became ill on January 8. He is not qualified for benefits until July 1. The taxable period is January 8 through July 31. He applies for benefits in July. His first compensable claims are processed on August 1, resulting in payment of benefits for days in the period July 1 through July 28. Although benefits are payable for days within the taxable period, taxes are not withheld because the benefits are paid after the taxable period ended.

**Recovery of Sickness Benefits**

If taxable sickness benefits become recoverable for any reason, the after-tax net amount (the amount actually paid to the employee) is the amount recoverable from the employee. The amount of Tier I taxes that were withheld by the RRB and paid to the IRS is claimed as a credit against future RRB payments to the IRS.

The employer would also be entitled to take a credit of the amount of Tier I taxes remitted by the employer in their next deposit. Notice of benefit credits, if any, are included with the Form ID-6 sent to the employer each month.