

Rail Employer Reporting Instructions
Part IV - Particular Types of Compensation Payments
Chapter 1: Regular Earnings

Regular Earnings Definition

Regular earnings are payments made for services rendered as an employee. This includes payments to part-time and seasonal employees, as well as regular earnings paid to employees who are not working due to illness, injury, or pregnancy. Any payment made through the regular payroll system is presumed to be regular earnings. Regular earnings are creditable as Tier I, Tier II, and RUIA compensation and generate a service month credit for the month service was performed.

Non-Monetary Earnings

Earnings may be paid as a commodity, a service, or a privilege. If an employee is to be paid in any form other than money, the employee and employer must agree upon the arrangement and the value of the commodity, service, or privilege being provided. Non-monetary earnings will result in creditable compensation. Non-monetary earnings are creditable in the amount of ascertainable or agreed upon value.

The language in the Railroad Retirement Act (RRA) and the Railroad Retirement Tax Act (RRTA) differ with respect to non-monetary earnings. Under the RRTA, the value of non-monetary earnings is taxable whether or not there is an agreement as to the value or that the earnings will not be paid in cash.

Reporting Compensation on a Paid or Earned Basis

Regular earnings may be reported as compensation for the period the payment was earned, referred to as "earned basis," or when the payment was made, referred to as "paid basis."

- **Earned Basis:** Compensation is credited with respect to the payroll period in which it was earned even though paid and reported at a later date.
- **Paid Basis:** Compensation is credited with respect to the period in which compensation is paid, actually or constructively, regardless of when the services which generated the compensation were performed.

Employee Requests Compensation to be Reported When Earned

Employers choosing to report compensation on a paid basis are subject to the proviso that an employee, within four years after the report, may request to have the compensation reported, by way of an adjustment, for the year in which it was earned. This provision is found in the Railroad Retirement Board's regulations 20 CFR 209.7 (3). Employee requests to have compensation adjusted to an earned basis may be made to the employer directly or to the RRB who will notify the employer to file an adjustment report. Requests made under this proviso must be honored.

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Service Months

Service is always reported when the service was actually or constructively performed. There are no options for reporting service. Because service is always reported when the service was performed, service can never correctly be reported for months after the employee retired, resigned, died or relinquished employment rights. Compensation may be paid and credited to former employees but since former employees no longer perform a service, no service months are creditable.

Adverse Effect of Erroneous Service Months

Reporting a service month when no service month is creditable can adversely affect both the employee and the employer. The employee may be denied benefits for the month of reported service or may have received benefits in excess of the correct amount based on the erroneous service month. The employer's Railroad Unemployment Insurance Act contribution may be adversely effected in two ways. The employer may be erroneously determined to be the last employer on record and be charged for benefits paid. The employee may be paid more than the correct amount of unemployment benefits, which will then be charged to the employer when determining the employer's contribution rate.