

Rail Employer Reporting Instructions
Part IV - Particular Types of Compensation Payments
Chapter 11: Compensation from Multiple Employers

Tier Compensation

Employers should report Tier I and Tier II compensation up to the annual maximums regardless whether the employee worked for another employer either concurrently or in a different period in that year. An employer must treat an employee as solely its employee for reporting purposes.

The total compensation reported by all employers for an individual may exceed the annual maximum creditable by law. In that situation, the Railroad Retirement Board automatically adjusts the account to reflect the annual maximum creditable compensation.

Employees who have paid employment tax for Tier I or Tier II in excess of the annual maximum taxable amounts because they had two or more employers in a calendar year should claim an income tax credit on their annual tax return with the Internal Revenue Service. However, there is no provision for a credit or refund of tax to the employers. Employees who have paid employment tax for Tier I or Tier II in excess of the annual maximum from a single employer must seek their refund from that employer.

RUIA Compensation

Unlike compensation under the Railroad Retirement Act and the Railroad Retirement Tax Act, compensation reported under the Railroad Unemployment Insurance Act may be prorated among the multiple employers. Employers may coordinate and each report a share of the maximum based on a ratio agreed upon by the employers.

Acquisitions and Successor Railroads

A successor employer is an employer who has acquired substantially all the assets of its predecessor and continues to operate the business of the predecessor. Employers determined to be successors to railroads formerly covered under the RRA, may file compensation and tax reports as though the employees worked for a single employer in the year of succession. The earnings from the prior and successor railroads are considered together in determining the creditable and taxable compensation.

Mergers

A merger between covered railroad employers which results in a third covered railroad will require earnings reports from all three employers. The earnings from the two prior railroads are not considered in determining the creditable and taxable compensation for the new entity. The newly formed employer reports as though they were the sole employer for the employee.

Concurrent Employment Reported by a Common Paymaster

"Common Paymaster" as it is used here refers to two or more related railroads that concurrently employ the same individual and compensate that individual through a common paymaster which is one of the railroads. Two railroads may disburse their payroll through the same paymaster but

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if they do not meet the definitions of "related" corporations and "concurrent employment" found in 31.3121(s)-1 of the Internal Revenue Code regulations, they do not have a common paymaster for this instruction. Because the emphasis of these instructions is on filing consistent tax returns and compensation reports, we have included references to tax returns and revenue procedure.

Advantages to Establishing a Common Paymaster

If two or more related railroads employ the same individual, and the individual's compensation from the related railroads is disbursed through a common paymaster, the total amount of taxes imposed with respect to the compensation is determined as though the individual has only one employer. This will provide the employer Tier I and Tier II tax relief when the employee's combined earnings exceed the annual Tier I and Tier II earnings bases.

There is a potential for tax relief apart from Tier taxes if an individual is concurrently employed by two related employers in the same month. If that is the case, using a common paymaster may reduce the RUIA liability.

Requirements and Responsibilities of a Common Paymaster

There are certain requirements and responsibilities of a common paymaster: They are as follows:

- Two or more railroad employers must be related.
- The related railroad employers must concurrently employ the same individual. (Refer to the tests for related corporations and concurrent employment in IRC regulations 31.3121(s).
- One of the railroads acts as a common paymaster to disburse compensation to the individual(s) concurrently employed by the related railroads. It is not required that the common paymaster disburse the entire payroll for all the employees of the related railroads, only for concurrent employed employees.
- The common paymaster files Form BA-3 with the RRB that includes all compensation for concurrent employed employees.

The procedure for establishing a common paymaster differs from the procedure for filing a consolidated report. If two or more railroads wish to establish a common paymaster and to file consolidated reports, they need to follow the procedure for both.

Consolidated Reports: Advantages

If related railroads have no employees who are employed concurrently by more than one of the railroads, then there is no possibility of employment tax relief. However, two or more employers may desire to file consolidated reports in order to reduce the reporting burden and to consolidate

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reporting and record keeping responsibilities. For example, a parent railroad may file a consolidated report that includes subsidiary railroads. In such a case, the employees of the subsidiary railroad are identified in the report with the BA number of the subsidiary.

Requirements and Responsibilities Related to Consolidated Reports

There are certain requirements and responsibilities for filing consolidated reports are. They are as follows:

- Two or more railroad employers must desire to file consolidated reports and must designate one of the employers to be responsible for filing all returns and reports.
- To file consolidated tax returns, each participating employer must meet the requirements of IRS Revenue Ruling 73-32.
- The designated railroad employer is responsible for maintaining payroll records for all participating employers and issuing [Form W-2](#).
- The designated railroad employer must make tax deposits representing combined liabilities, and file a consolidated [Form CT-1](#) and Form BA-3.

If a common paymaster is established and the consolidated report is being filed under only the designated railroad's number, IRS Form 2678 may be required to file consolidated tax returns under one employer number.

Unless a common paymaster has been established, the consolidated BA-3 report must identify the employing BA number for each employee. If a common paymaster is established, all employees may be reported under the designated employer's BA number. This distinction result from the difference in creditable and taxable compensation based on an employee's concurrent employment with more than one related railroad as demonstrated in the following examples.

Completion of Form G-440, Report Specifications Sheet

The following information must be included on [Form G-440](#), "Report Specification Sheet", or the report cannot be processed correctly at the RRB.

- Common Paymaster: Show in the "remarks" section of the form, "Common Paymaster for BA__", and list the BA number(s).
- Consolidated Report: List in Item 7, the BA numbers for all employees included on the consolidated BA-3 report.

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Example: Consolidated Report - Not a Common Paymaster

Employee Smith earns \$56,000 from the Northern Railroad (BA-8888) from January through June 2007 at which time he is terminated and transferred to the Southern Railroad (BA-9999), a subsidiary of Northern Railroad, where he earns \$60,000 from June through December 2007. Employee Smith is consecutively, not concurrently, employed by two related railroads. Northern Railroad files consolidated reports that include employees of Southern Railroad.

BA Number	SSN	Name	Tier I	Tier II	RUIA
8888	111-22-3333	Smith, J	56,000	56,000	7,380
9999	111-22-3333	Smith, J	60,000	60,000	8,610
		TOTAL	116,000	112,700	15,990

Taxable compensation is based on each employer's individual liability and is determined as though the employee worked only for that employer. Creditable compensation will be reported for Mr. Smith under BA-8888 and under BA-9999. These two line items will be included in the same report since BA-8888 and BA-9999 are filing consolidated reports, but the taxable and creditable amounts will have been determined separately for each employer.

Example: Consolidated Report - Common Paymaster

Employee Jones works the first week of every month for the Eastern Railroad (BA- 3333) and earned \$25,000 in 2007. For the remainder of each month he works for the Western Railroad (BA- 4444) and earned \$75,000 in 2007. The Eastern and Western Railroads are both owned and operated by the Central Railroad. The Eastern Railroad is the common paymaster for Eastern, Western and Central Railroads and files consolidated reports including all three railroads.

BA Number	SSN	Name	Tier I	Tier II	RUIA
333	111-22-3334	Jones, J	97,500	72,600	14,760

The earnings with BA-4444 are paid by the common paymaster, BA-3333, and are consolidated with BA-3333 earnings. A consolidated report under a single BA number clarifies that the tax liability is determined as though Mr. Jones worked for a single employer in 2007. The reduced liability results because the combined 2007 compensation (\$100,000), exceeds the maximum amount creditable and taxable from a single source, BA-3333, as shown in the above example.

Be Consistent with IRS Reporting

If a rail employer is designated to act as a common paymaster by the IRS, they should also file compensation reports with the RRB as a common paymaster. If a rail employer is filing consolidated tax returns, they should also file consolidated compensation reports with the RRB. The creditable compensation reported to the RRB on Form BA-3, "Annual Report of Creditable Compensation", should be consistent with the taxable compensation reported to the IRS on [Form CT-1](#), "Employer's Annual Railroad Retirement Tax Form", and the contributions reported to the

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RRB on [Form DC-1](#), "Employer's Quarterly Report of Contributions under the Railroad Unemployment Insurance Act".