

**Rail Employer Reporting Instructions**  
**Part IV - Particular Types of Compensation Payments**  
**Chapter 12: Exclusions to Creditable Compensation**

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**Payments That Are Not Considered Creditable Compensation**

The following payments paid to an employee by an employer are not considered creditable compensation under the Railroad Retirement Act and the Railroad Unemployment Insurance Act:

- Sick pay paid subsequent to the sixth month following the month last worked, as described in [Part IV, Chapter 3](#) on sick pay and [Chapter 2](#) on miscellaneous compensation;
- Contributions and payments for pension or profit sharing made under a plan that qualifies for exclusion from income under the Internal Revenue Code. This exclusion does not apply to Section 401(k) plans;
- Payments made to an employee who has been called to active military service which are intended to supplement military pay;
- Payments made to an employee's survivor or to an estate in the year after the employee died. (Payments made after death but in the year of death are creditable compensation.);
- Interest paid on compensation earned but not timely paid;
- The value of "qualified" fringe benefits received under a Section 125 cafeteria plan, also known as a flexible benefit plan. However, a cash payment received under such a plan is compensation;
- Tip earnings of less than \$20 per month;
- Compensation paid to a non-resident alien with a "F-1" or "J-1" visa;
- Compensation paid to the director of a railroad is not creditable. However, compensation paid to officers is creditable. Directors are not considered employees within the meaning of the Acts;
- Receivers and Trustees are designated employers and may not also be employees. This treatment is consistent with the position of the IRS;
- The partners in a Limited Liability Company do not receive creditable compensation. Their pay is treated the same as that as of a director of a company. The exception would be if they were performing material work. In that case, the partner pays FICA taxes on

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their individual income tax return. There is no method by which a partner can pay RRTA taxes.

**Reimbursements**

The following reimbursements for employment-related expenses are not creditable compensation or subject to tax.

- Educational assistance that is excluded from compensation under Section 127 of the Internal Revenue Code.
- Allowances or provisions for meals and lodging that are excluded from compensation under Section 119 of the Internal Revenue Code. Section 119 covers meals and lodging provided by the employer.
- Allowances or reimbursements for travel, meals and lodging that are incurred while traveling in the business of the employer and where paid under a plan that requires an employee to account for their expenditures. Expenditures not accounted for are creditable compensation.
- Reimbursements for moving expenses that are deductible under Section 217 of the Internal Revenue Code. apologizes

**Service Performed Outside the United States**

Earnings paid by a covered railroad employer for service performed outside the United States:

- for a non-US employer, regardless of citizenship of the employee, is not creditable;
- for a US employer, by citizens of the United States, is creditable; or
- by non-US citizens, is generally not creditable, but there may be exceptions.