

Rail Employer Reporting Instructions
Part IV - Particular Types of Compensation Payments
Chapter 3: Sick Pay

Chapter Overview

This chapter provides basic information regarding sick pay. If you make creditable sickness payments and need the [Reporting Instructions for Creditable Sickness Payments](#), you may wish to call or write to the Quality Reporting Service Center (QRSC) at

Quality Reporting Service Center
Railroad Retirement Board
844 North Rush Street 7th Floor
Chicago, Illinois 60611-1275

Phone: (312) 751-4992

Fax: (312) 751-7123

Email: QRSC@rrb.gov

Creditable Sick Pay Compensation

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, pregnancy, or childbirth.

The term "Sick Pay" means only an RRB-approved supplemental sick pay plan such that only supplemental benefits are limited to tier 1 tax and that other sick pay is to be reported like wages. Sick pay from a plan approved by the Board is:

- creditable as Tier I compensation only;
- does not yield service months;
- not creditable as Tier II compensation; and
- is not creditable as compensation under the Railroad Unemployment Insurance Act (RUIA).

Regular earnings, wages, or salary an employee receives while off sick is not considered sick pay but regular earnings.

Sick Pay Compensation Used in Annuity Calculation

Because Sick Pay is creditable only as Tier I compensation, it is reported separately on Form BA-3 from regular earnings to help ensure the integrity of our records. Although sick pay is reported and maintained at the RRB in a record which is separate from the regular service and compensation record, all Tier I compensation is considered together in calculating the Tier I component of an employee's annuity.

Employers previously reported Sick Pay on Form BA-10, Report of Sick Pay and Miscellaneous Payments. Form BA-10 is now obsolete. Sick Pay must now be reported on Form BA-3, Annual

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Report of Creditable Compensation, and adjusted on Form BA-4, Report of Creditable Compensation Adjustments.

See [Part V, Chapter 3](#) and [4](#) respectively, for instructions on completing Forms BA-3 and BA-4 to report Sick Pay.

Exceptions to Creditable Sick Pay Compensation

There are three exceptions where sick pay is not creditable or taxable as Tier I compensation. The exemptions are:

- sick pay is paid by the RRB under the Railroad Unemployment Insurance Act for an on-the-job injury;
- sick pay is paid subsequent to the sixth month following the month the employee last worked; and
- sick pay is paid in the year after the employee died.

The exemption for crediting sick pay through the sixth month following the month the employee last worked does not mean that creditable sick pay is limited to six months in a year. If an employee returns to work and is off sick again, a new six month period begins from the month following the latest date worked.

Coordinating Supplemental Benefits with the RRB

If you are paying supplemental sick pay under a plan whereby you pay the difference between the sick benefits paid by the RRB and a set amount, such as the employee's regular salary, you will need to have your plan approved by the RRB. You may also want to establish a procedure to receive notification from the RRB of sickness benefit payments so that your payments are coordinated with RRB Sickness benefits. Contact the below section for information on getting a plan approved and on receiving benefit notification.

Chief of RUIA, Internet and Support
Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-1275

Phone: (312) 751-3389

Sick Pay Paid by RRB, Provident, Trustmark, etc.

Sickness benefits paid by the RRB under the RUIA, Provident, Trustmark or other supplemental benefit payors, are considered for crediting and tax purposes to be paid by an agent of the employer. These sickness benefits are creditable and taxable in the same way as if the employer had made the payments.

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Compensation Reporting Responsibilities

The responsibility for reporting compensation and the liability for depositing and reporting taxes depend on the type of sickness benefit being paid and who is making the payment. The responsibilities for the three types of sickness benefit payors are explained below.

Sick Pay Paid By the Rail Employer

Employers who pay sickness benefits to their employees, are responsible for filing compensation reports and for withholding and paying all applicable taxes in regards to the sick pay. The employer files the reports under the employer's regular BA and EIN numbers. The employer can include the sick pay compensation with the other compensation on the employee's Form W-2.

Sick Pay Paid by the RRB or an Insurance Co who has Established Sick Pay Status under the RRA/RUIA

The RRB will assign insurance companies who pay creditable sick pay with a BA number for accounting purposes. Insurance companies having BA numbers are referred to in these instructions as sick pay employers. The responsibilities of the Sick Pay Employer and the Rail Employer are explained below.

RRB/Sick Pay Employer Responsibilities	Railroad Employer Reporting Responsibilities
1. Withhold the employee Tier I tax from the sick pay.	1. Pay the employer matching Tier I tax, up to the annual Tier I maximum on combined earnings, when notified of the sick pay.
2. Deposit the tax withheld with the IRS.	2. Include on form CT-1 filed with IRS, the employer matching Tier I tax on sick pay.*
3. Notify the employer of the sick pay paid to its employees.	
4. File Form CT-1 with the IRS to report the employee Tier 1 tax on sick pay using the sick pay payor's EIN.	
5. File Form BA-3 with the RRB using the sick pay payor's BA number.	
6. File Forms W-2 and W-3 with the SSA. Regular and dummy forms may be required. See Part VI Chapter 6 and IRS Publication 952 for detailed instructions.	

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*For example, the RRB uses Form Letter ID-6, Transmittal Report of Tier I Tax Transactions, to notify railroad employers of the amount of sickness benefits paid.

Other Sickness Benefit Payors

An employer may arrange for a third party to act as the employer's agent for the payment of sickness benefits. The employer may or may not arrange for the third party to provide administrative services for the employer such as filing Forms CT-1 and BA-3. These responsibilities are divided by agreement between the employer and the third party. If the third party does provide such administrative services, they are doing so as an agent of the railroad employer and not as an employer under the RRA. Therefore, the third party would file Form BA-3 using the rail employer's BA number. The employer would include the sick pay compensation on the employee's Form W-2 along with other compensation.