

Rail Employer Reporting Instructions
Part III - Principles of Service and Compensation
Chapter 3: Creditable Maximum Compensation Amounts

Maximums and Types of Compensation

The three types of creditable compensation which must be reported are known as Tier I, Tier II, and Railroad Unemployment Insurance Act (RUIA) compensation. The terms refer to three differing compensation maximums. A single payment is creditable as Tier I, Tier II, and RUIA compensation until the applicable compensation maximums are reached. Employers must ensure that the logical relationships between Tier I, Tier II and RUIA compensation described below are accurately met when completing an annual report of service and compensation.

Notification of Compensation Maximums

The compensation maximums, also known as the earnings bases, for Tier I and Tier II are established by the Social Security Administration and published in the Federal Register. The Railroad Retirement Board (RRB) determines the RUIA compensation maximum. Each October, the RRB notifies all employers, via a circular letter to the contact official, of the earnings maximums for the following year.

Applying Tier Maximums

Tier I and Tier II compensation is subject to annual maximums. Both Tier I and Tier II compensation are creditable until the annual earnings attain the Tier II maximum. Amounts earned over and above the Tier II maximum are creditable as Tier I compensation, until the annual earnings attain the Tier I maximum.

Examples of Reporting Up to the Annual Tier Maximums

The 2017 Tier I and Tier II earnings maximums are \$127,200.00 and \$94,500.00, respectively. If an employee earns \$75,000.00 in 2001, the employer should report \$75,000.00 as creditable Tier I compensation and \$75,000.00 as creditable Tier II compensation.

A second employee earns \$123,500.00 in 2001. The employer should report \$123,500.00 as creditable Tier I compensation and \$94,500.00 as creditable Tier II compensation.

The reported Tier I and Tier II compensation amounts should never exceed the applicable annual maximums. The combined Tier I compensation (regular earnings and creditable sick pay) reported by any one employer should not exceed the Tier I maximum in a given year.

Applying RUIA Maximum

RUIA compensation is subject to monthly maximums. Amounts earned over and above the monthly maximum are not creditable or taxable.

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Example of Applying the RUIA Maximum

The RUIA monthly maximum for 2017 is \$1545. If an employee earns \$6000 each month in 2017, the employee would be credited with RUIA compensation of \$1545 each month for a yearly total of \$18,540.

A second employee is a seasonal worker who had no earnings in January, February, or December. The employee earned \$800 in March and November and \$5000 in the remaining seven months. RUIA compensation is creditable as follows:

<u>Month</u>	<u>Amount Creditable</u>
January	\$ 0.00
February	\$ 0.00
March	\$ 800.00
April	\$ 1,545.00
May	\$ 1,545.00
June	\$ 1,545.00
July	\$ 1,545.00
August	\$ 1,545.00
September	\$ 1,545.00
October	\$ 1,545.00
November	\$ 800.00
December	\$ 0.00

Applying Maximums When Employee Worked for More Than One Employer

Tier maximums are applied to earnings from each employer as though that employer was the sole employer whether or not the employee had other employment in the year. Exceptions are mergers, successors, and payments made by a common paymaster. See Part IV, Chapter 10 for more information about multiple employer situations.

RUIA maximums are applied to each employee. If there are multiple employers, each employer may prorate their share of RUIA compensation based on the combined compensation paid in the month.