

Labor Employer Reporting Instructions
Part IV – Particular Types of Compensation Payments
Chapter 10: Miscellaneous Compensation

Definition of Miscellaneous Compensation

Miscellaneous compensation is any payment made to an employee by an employer which is excluded from compensation under the Railroad Retirement Act, but which is subject to taxes under that Railroad Retirement Tax Act. Miscellaneous compensation is only creditable as Tier I compensation and does not grant a service month.

Example of Miscellaneous Compensation

An employee resigns on 12/31/03 and retires on 01/01/04. He earned and received payments totaling \$83,000 in 2003, and received a payment of \$6,000 in March 2004 for his last pay period in 2003, for vacation pay and other benefits earned but not paid in 2003. Because the employer generally reports on an earned basis, the employer filed an adjustment increasing 2003 compensation by an additional \$4,000 bringing the total compensation for 2003 to the maximum of \$87,000. The remaining \$2,000 paid in 2004 is reported as miscellaneous compensation for 2004.

Taxable and Creditable Miscellaneous Compensation

In the example, you will note that the entire \$6,000 paid in 2004 is subject to Tier I, Tier II, and Medicare taxes at the 2004 tax rate. While the taxable and creditable compensation are not always equal for each year, particularly for employers who report compensation on an earned basis, the amounts will usually be equal in the aggregate for all years. In the previous example, the creditable Tier I compensation (after the adjustment) for 2003 is \$87,000 and \$2,000 for 2004. The total creditable compensation for the two years is \$89,000. The taxable compensation for 2003 is \$83,000; and \$6,000 for 2004 for a total of \$89,000.

Reporting Miscellaneous Compensation on Form BA-3

Because miscellaneous compensation is creditable only as Tier I compensation, it is reported separately from regular earnings to help ensure the integrity of our records.

Employers should use Form BA-3, Annual Report of Creditable Compensation, to report this type of compensation. See [Part V, Chapter 3](#) for information on how to complete Form BA-3.