



Notice 983

(Rev. October 1998)

Deposit Requirements for Railroad Employers

Rules for determining when you deposit railroad retirement (RRTA) taxes are discussed below. For deposit rules for Federal income tax withholding, see **Circular E**, Employer's Tax Guide.

For Tier I and Tier II taxes, you are either a **monthly schedule depositor** or a **semiweekly schedule depositor**. There are also two special rules explained later—the **\$1,000 rule** and the **\$100,000 next-day deposit rule**. The terms “monthly schedule depositor” and “semiweekly schedule depositor” **do not** refer to how often your business pays its employees, or even how often you are required to make deposits. The terms identify which set of rules you must follow when a tax liability arises (when you have a payday).

Lookback period. Which deposit schedule you must follow for depositing Tier I and Tier II taxes for a calendar year is determined from the total RRTA taxes reported on your Form CT-1 for a calendar year lookback period. The lookback period is the second calendar year preceding the current calendar year. For example, the lookback period for calendar year 1999 is calendar year 1997.

| If the taxes you reported in the lookback period were... | Then you are a... |
|--|-------------------------------|
| \$50,000 or less | Monthly Schedule Depositor |
| More than \$50,000 | Semiweekly Schedule Depositor |

If you are a **new employer**, your taxes for the lookback period are treated as zero. Therefore, you are a monthly schedule depositor for the first year of business.

Example. Employer A reported RRTA tax liability as follows:

1997 Form CT-1—\$49,000
1998 Form CT-1—\$52,000

Employer A is a monthly schedule depositor for 1999 because its RRTA tax liability for its lookback period (calendar year 1997) was not more than \$50,000. However, for 2000, Employer A is a semiweekly schedule depositor because A's liability exceeded \$50,000 for its lookback period (calendar year 1998).

Electronic deposit requirement. If your total deposits of social security, Medicare, RRTA, and withheld Federal income taxes were more than \$50,000 in 1997, you must make electronic deposits for **all** depository tax liabilities that occur after 1998. The **Electronic Federal Tax Payment System (EFTPS)** or **RRBLINK** must be used to make electronic deposits. To enroll in EFTPS, call 1-800-945-8400 or 1-800-555-4477. For general information about EFTPS, call 1-800-829-1040. For more information on RRBLINK, call 1-888-273-2265.

Note: If you make your Form CT-1 deposits through the Federal Reserve Bank of New York as required by Rev. Proc. 83-90, 1983-2 C.B. 615, you may continue to use that method of payment.

Monthly Deposit Schedule

You are a monthly schedule depositor for a calendar year if your total RRTA taxes for the lookback period were \$50,000 or less.

Under the monthly rule, employee and employer Tier I and Tier II taxes accumulated during a calendar month must be deposited by the 15th day of the following month.

Semiweekly Deposit Schedule

You are a semiweekly schedule depositor for a calendar year if your total RRTA taxes for the lookback period were more than \$50,000. The deposit periods for a semiweekly schedule depositor are Wednesday through Friday and Saturday through Tuesday.

If you are a semiweekly schedule depositor:

| Deposit Tier I and Tier II taxes for wages you paid on... | No later than... |
|---|-------------------------|
| Wednesday, Thursday, and/or Friday | The following Wednesday |
| Saturday, Sunday, Monday, and/or Tuesday | The following Friday |

The end of the calendar year always ends a semiweekly deposit period and begins a new one. For example, the 1998 calendar year ends on Thursday. Taxes accumulated on the preceding Wednesday and on Thursday are subject to one deposit obligation and taxes accumulated on Friday (January 1, 1999) are subject to a separate obligation.

Examples of Monthly and Semiweekly Rules

Monthly rule. Employer A is a monthly schedule depositor with seasonal employees. It paid wages each Friday during February but did not pay any wages during March. Under the monthly rule, Employer A must deposit the combined tax liabilities for the February paydays by March 15. Employer A does not have a deposit requirement for March (due by April 15) because no wages were paid and, therefore, it did not have a tax liability for the month.

Semiweekly rule. Employer B, a semiweekly schedule depositor, pays wages on the last Saturday of each month. Although Employer B is a semiweekly schedule depositor, it will deposit just once a month because it pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: Employer B's tax liability for the January 30, 1999 (Saturday) payday must be deposited by February 5, 1999 (Friday). Under the semiweekly deposit rule, liabilities arising on Saturday through Tuesday must be deposited by the following Friday.

Deposits on Banking Days Only

If a deposit is required to be made on a day that is not a banking day, the deposit is considered timely if you make it by the close of the next banking day. In addition to Federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required on Friday and Friday is not a banking day, the deposit will be considered timely if it is made by the following Monday (if that Monday is a banking day).

Semiweekly schedule depositors will always have at least 3 banking days to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a banking holiday, you have an additional day to deposit. For example, if you have RRTA taxes accumulated for payments made on Friday and the following Monday is not a banking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

\$1,000 Rule

Beginning January 1, 1999, if you accumulate a total Form CT-1 tax liability of less than \$1,000 (\$500 for 1998 and prior years) for the year, no deposits are required and this liability may be paid with Form CT-1. However, if you are unsure that you will accumulate less than \$1,000, you should deposit according to the appropriate deposit rules so that you will not be subject to deposit penalties.

\$100,000 Next-Day Deposit Rule

If you accumulate \$100,000 or more in RRTA taxes on any day during a deposit period, you must deposit the tax by the next banking day whether you are a monthly or a semiweekly schedule depositor. For monthly schedule depositors, the deposit period is a calendar month. The deposit periods for a semiweekly schedule depositor are Wednesday through Friday and Saturday through Tuesday. For purposes of the \$100,000 next-day deposit rule, do not continue accumulating RRTA tax liability after the end of a deposit period. For example, if a semiweekly schedule depositor has accumulated a liability of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated a \$10,000 liability on Wednesday, the \$100,000 next-day deposit rule does not apply. Therefore, \$95,000 must be deposited by Friday and \$10,000 by the following Wednesday.

If you are a monthly schedule depositor and accumulate a \$100,000 RRTA tax liability on any day, you become a semiweekly schedule depositor on the next day and remain so for the remainder of the calendar year and for the following calendar year.

Example of \$100,000 next-day deposit rule. Employer D started its business on January 1, 1999. Because this was the first year of its business, the RRTA tax liability for its lookback period is considered to be zero, and it is a monthly schedule depositor. On February 5, it paid compensation for the first time and accumulated an RRTA tax liability of \$40,000. On February 12, Employer D paid compensation and accumulated a liability of \$60,000, bringing its accumulated RRTA tax liability to \$100,000. Because Employer D accumulated \$100,000 on February 12, it must deposit the \$100,000 by February 16, the next banking day. It became a semiweekly schedule depositor on February 13 and will be a semiweekly schedule depositor for the remainder of 1999 and for 2000.

Adjustments and the Lookback Rule

To determine your RRTA tax liability for the lookback period, use only the Form CT-1 tax you reported on your original return. If you made adjustments to correct errors on previously filed Forms CT-1, these adjustments do not affect the amount of RRTA tax liability for purposes of the lookback rule. If you report adjustments on your current Form CT-1 to correct errors on prior year returns, include these adjustments as part of your RRTA tax liability for the current year. If you filed **Form 843**, Claim for Refund and Request for Abatement, to claim a refund for a prior year overpayment, your RRTA tax liability does not change for either the prior year or the current year for purposes of the lookback rule.

Example of adjustments and the lookback rule. An employer originally reported a Form CT-1 tax liability of \$45,000 for the lookback period (1997). The employer discovered during March 1999 that the tax during the lookback period was understated by \$10,000 and corrected this error with an adjustment on the 1999 Form CT-1. The employer is a monthly schedule depositor for 1999 since the lookback period Form CT-1 tax liability is based on the amount originally reported and it was less than \$50,000. The \$10,000 adjustment is treated as part of the 1999 Form CT-1 tax liability.

Accuracy of Deposits Rule

You are required to deposit 100% of your tax liability on or before the deposit due date. However, penalties will not be applied for depositing less than 100% if **both** of the following conditions are met:

1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited and
2. The deposit shortfall is paid or deposited by the shortfall makeup date as described below.

Monthly schedule depositor. Deposit the shortfall or pay it with your return by the due date of Form CT-1. You may pay the shortfall with Form CT-1 even if the amount is \$1,000 (\$500 for years before 1999) or more.

Semiweekly schedule depositor. Deposit by the earlier of the first Wednesday or Friday that comes on or after the 15th of the month following the month in which the shortfall occurred, or, if earlier, the due date of Form CT-1.

Supplemental Annuity Work-Hour Tax

Supplemental annuity work-hour tax accumulated during a month must be deposited by the first date after the 15th day of the following month on which RRTA taxes are otherwise required to be deposited. For example, Employer C accumulates supplemental annuity work-hour tax for the month of February. The supplemental annuity work-hour tax must be deposited the next time RRTA taxes are required to be deposited after March 15. For a monthly schedule depositor this would be April 15.

Special Supplemental Annuity Tax

The Railroad Retirement Board will notify you each quarter of the amount of special supplemental annuity tax. Deposit that tax by the last day of the second month after the month the quarter ended.

