

Instructions for Form CT-1 X (DRAFT #2—11/13/2008)

(January 2009)

Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund

Department of the Treasury
Internal Revenue Service

What's New?

New form. The Internal Revenue Service (IRS) developed Form CT-1 X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund, to replace Form 941c, Supporting Statement to Correct Information. Use Form CT-1 X to make corrections to previously filed Forms CT-1. **Do not** attach Form CT-1 X to your Form CT-1; file Form CT-1 X separately.

Form CT-1 X will also replace Form 843, Claim for Refund or Request for Abatement, for employers to request a refund or abatement of overreported railroad retirement taxes. Continue to use Form 843 when requesting a refund or abatement of assessed interest or penalties.

We believe you will find Form CT-1 X and its instructions easier to understand and fill out than Form 941c. At the same time, the new form will enable the IRS to make corrections to railroad retirement taxes more accurately and efficiently. Please read both the form and these instructions carefully to become familiar with the many changes.

Background. Treasury Decision 9405 changed the process for adjusting railroad retirement taxes reported on Form CT-1, Employer's Annual Railroad Retirement Tax Return, and for filing a claim for refund of railroad retirement taxes. Treasury Decision 9405, 2008-32 I.R.B. 293, is available at www.irs.gov/irb/2008-32_irb/ar13.html. You will use the revised interest-free adjustment process if you underreported railroad retirement taxes and are making a payment, or if you overreported railroad retirement taxes and will be applying the credit to the Form CT-1 year during which you file Form CT-1 X. (However, see the CAUTION on page 2.) You will use the revised claim for refund process if you overreported railroad retirement taxes and are requesting a refund or abatement of the overreported amount.

We use the terms "correct" and "corrections" on Form CT-1 X and in these instructions to include interest-free adjustments under sections 6205 and 6413 of the Internal Revenue Code.

If you have comments or suggestions for improving Form CT-1 X or these instructions, we would be happy to hear from you. Write to the address shown in the *Privacy Act and Paperwork Reduction Act Notice* in the Instructions for Form CT-1.

New process for correcting railroad retirement taxes. After December 31, 2008, when you discover an error on a previously filed Form CT-1, you **must**:

- correct that error using Form CT-1 X,
- file one Form CT-1 X for each Form CT-1 that you are correcting, and

- file Form CT-1 X separately. **Do not** file Form CT-1 X with Form CT-1.

Beginning with 2009, you will no longer be able to correct prior year errors using line 12 on Form CT-1. However, continue using line 12 on Form CT-1 to report current year adjustments for fractions of cents, sick pay, and credits for overpayments of penalty or interest paid on tax for earlier years.

Report the correction of underreported and overreported amounts for the same year on a single Form CT-1 X, unless you are requesting a refund. If you are requesting a refund and are correcting both underreported and overreported amounts, file one Form CT-1 X correcting the underreported amounts only and a second Form CT-1 X correcting the overreported amounts.

Follow the chart on the back of Form CT-1 X for help in choosing whether to use the adjusted return process or the claim process.

CAUTION: Do not use Form CT-1 X to correct Forms 941, 943, 944, or Form 945. Instead, use the "X" form that corresponds to those returns (Form 941-X, 943-X, 944-X, or Form 945-X).

General Instructions: Understanding Form CT-1 X

What Is the Purpose of Form CT-1 X?

Use Form CT-1 X to correct errors on a Form CT-1 that you previously filed. Use Form CT-1 X to correct:

- tier I railroad retirement tax (including Medicare), and
- tier II railroad retirement tax.

If you did not file a Form CT-1 for one or more years, **do not** use Form CT-1 X. Instead, file Form CT-1 for each of those years. See also *When Should You File Form CT-1 X?* on page 2.

Note. If you did not file Forms CT-1 because you improperly treated workers as subcontractors or nonemployees and are now reclassifying them as employees, see the instructions for line 21 on page 9.

You have additional requirements to complete when filing Form CT-1 X, such as certifying that you filed (or will file) all applicable Forms W-2 and Forms W-2c. For corrections of overreported tier I and tier II taxes, you must make any certifications that apply to your situation.

Be sure to give us a detailed explanation on line 22 for each correction that you show on Form CT-1 X.

Where Can You Get Help?

For help filing Form CT-1 X or for questions about federal railroad retirement taxes and tax corrections, you can:

- call the IRS toll-free at 1-800-829-4933 (TTY/TDD for the hearing impaired at 1-800-829-4059),
- visit the IRS website at www.irs.gov/businesses and click on “Employment Taxes,” or
- get Pub. 15 (Circular E), Employer’s Tax Guide.

See also *How Can Your Order Forms and Publications from the IRS?* on page 10.

When Should You File Form CT-1 X?

File Form CT-1 X when you discover an error on a previously filed Form CT-1.

However, if your only error on Form CT-1 relates to railroad retirement tax liabilities reported on Part II of Form CT-1 or on Form 945-A, Annual Record of Federal Tax Liability, do not file Form CT-1 X. For more information about correcting federal tax liabilities reported on Part II of Form CT-1 or on Form 945-A, see the instructions for Form 945-A.

Due dates. The due date for filing Form CT-1 X to qualify for interest-free adjustments for underpayments or overpayments depends on when you discover an error and if you underreported or overreported tax. If you underreported tax, see *Underreported tax* below. For overreported amounts, you may choose to either make an interest-free adjustment or file a claim for refund or abatement. If you are correcting overreported amounts, see *Overreported tax—credit* and *Overreported tax—claim* below.

Underreported tax. If you are correcting underreported tax, you must file Form CT-1 X by the due date of the return for the return period in which you discovered the error. If you discover that you underreported tax on a previously filed Form CT-1, file Form CT-1 X no later than last day in February of the following year. Pay the amount you owe when you file. Doing so will generally ensure that your correction is interest free and not subject to failure-to-pay or failure-to-deposit penalties.

Example—You owe tax:

On March 11, 2009, you discover you underreported \$1,000 of railroad retirement compensation on your 2008 Form CT-1. File Form CT-1 X and pay the amount you owe by February 28, 2010 because you discovered the error in 2009 and February 28, 2010 is the due date for that year. If you file Form CT-1 X before February 28, pay the amount you owe when you file.

Overreported tax—credit. If you overreported tax and choose to apply the credit on Form CT-1, file Form CT-1 X more than 90 days before the period of limitations for correcting the Form CT-1 expires. See *Is There a Deadline for Filing Form CT-1 X?* below.

Example—You want your credit applied to Form CT-1:

On May 1, 2009, you discover that you overreported tax on your 2008 Form CT-1. You file Form CT-1 X on June 1, 2009. IRS treats your credit as a tax deposit made on January 1, 2009. When you file your 2009 Form CT-1, include the amount from line 19 of Form CT-1 X on line 14 (“Total railroad retirement tax deposits”) of your 2009 Form CT-1. To ensure that your credit is applied timely, see the *TIP* on page 3.

Overreported tax—claim. If you overreported tax, you may choose to file a claim for refund or abatement on Form CT-1 X. (If you need to correct **any** underreported amounts, you must file another Form CT-1 X reporting only corrections to the underreported amounts.) You will be refunded the overreported tax plus interest if IRS approves your claim for refund. However, see *Is There a Deadline for Filing Form CT-1 X?* below.

TIP: If you discovered an error on or before December 31, 2008 but did not report it as a line adjustment on Form CT-1 for any year ended before 2009 and did not file a refund claim (Form 843), you may use Form CT-1 X to correct the error. File Form CT-1 X for the year in which you made the error.

Is There a Deadline for Filing Form CT-1 X?

Generally, you may correct overreported taxes on a previously filed Form CT-1 within 3 years of the date Form CT-1 was filed or 2 years from the date you paid the tax reported on Form CT-1, whichever is later. You may correct underreported taxes on a previously filed Form CT-1 within 3 years of the date the Form CT-1 was filed. We call each of these timeframes the “period of limitations.” For purposes of the period of limitations, all Forms CT-1 that you filed on time are deemed to have been filed on the last day in February.

Example:

You filed your 2007 Form CT-1 on January 27, 2008. (IRS treats the return as if it were filed on February 29, 2008.) On January 10, 2011, you discover that you overreported railroad retirement compensation on that form by \$10,000. To correct the error, you must file Form CT-1 X by February 28, 2011 which is the end of the period of limitations for refund or credit.

CAUTION: If you file Form CT-1 X to correct overreported amounts in the last 90 days of a period of limitations (after November 30, 2010 in the example above), you must use the claim process. You cannot use the adjustment process. If you are also correcting underreported amounts, you must use the adjustment process to file another Form CT-1 X reporting the underreported amounts only and pay any tax due.

Where Should You File Form CT-1 X?

Send your completed Form CT-1 X to:

Department of the Treasury
Internal Revenue Service Center
Cincinnati, OH 45999-0007

How Should You Complete Form CT-1 X?

Use One Form CT-1 X for Each Year You Are Correcting

Use a separate Form CT-1 X for each Form CT-1 that you are correcting. For example, if you found errors on your Forms CT-1 for 2007 and 2008, file one Form CT-1 X to correct the 2007 Form CT-1. File a second Form CT-1 X to correct the 2008 Form CT-1.

EIN, Name, and Address

Enter your EIN, name, and address in the spaces provided. Also enter your name and EIN on the top of pages 2 and 3, and on any attachments. If your address has changed since you filed your Form CT-1, enter the corrected information and IRS will update your address of record.

Return You Are Correcting

Enter the calendar year of the Form CT-1 you are correcting. Enter the calendar year on pages 2 and 3, and on any attachments.

Enter the Date You Discovered Errors

You **must** enter the date you discovered errors. If you are reporting several errors that you discovered at different times, enter the earliest date you discovered them here. On line 22, report any subsequent dates and related errors.

Must You Make an Entry on Each Line?

You must provide all of the information requested at the top of page 1 of Form CT-1 X. You must check one box (but not both) in Part 1. You must check the box on line 3 and any boxes that apply on lines 4 and 5. In Part 3, if any line does not apply, leave it blank. Complete Parts 4 and 5 as instructed.

How Should You Report Negative Amounts?

Form CT-1 X uses negative numbers to show reductions in tax (credits) and positive numbers to show additional tax (amounts you owe).

When reporting a negative amount in columns 3 and 4, use a minus sign instead of parentheses. For example, enter “-10.59” instead of “(10.59).” However, if you are completing the return on your computer and your software only allows you to use parentheses to report negative amounts, you may use them.

How Should You Make Entries on Form CT-1 X?

You can help IRS process Form CT-1 X timely and accurately if you follow these guidelines.

- Type or print your entries.
- Use Courier font (if possible) for all typed or computer-generated entries.
- Omit dollar signs. You may use commas and decimal points, if desired. Enter dollar amounts to the left of any preprinted decimal point and cents to the right of it.
- Always show an amount for cents. Do not round entries to whole dollars.
- Complete all three pages and sign Form CT-1 X on page 3.

- Give us a detailed explanation on line 22 for all corrections.
- Staple multiple sheets in the upper-left corner.

What About Penalties and Interest?

Generally, your correction of an underreported amount will not be subject to a failure-to-pay penalty, failure-to-deposit penalty, or interest if you:

- file on time (by the due date of the quarter in which you discover the error),
- pay the amount shown on line 19 **when you file** Form CT-1 X,
- enter the date you discovered the error, and
- explain in detail the grounds and facts relied on to support the correction.

Example:

On October 11, 2009, you discover that you underreported \$10,000 of Tier I employer compensation on your 2008 Form CT-1. You filed Form 941-X on January 15, 2009 to correct the error. (The due date for filing your 2009 Form CT-1 X was February 28, 2009.) You paid the underreported tax of \$620 when you filed on January 15. In the appropriate space on page 1 of Form CT-1 X, you entered “10/11/2008” as the date you discovered the error. You also adequately explained the correction on line 22.

Overview of the New Processes

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The new processes for adjusting Form CT-1 or filing a claim for refund are outlined below.

If you underreported the tax. If you underreported the tax on a previously filed Form CT-1, check the box on line 1 and **pay** any additional amount you owe when you file Form CT-1 X.

Example—You underreported railroad retirement taxes:

On June 20, 2009, you discover an error that results in additional tax on your 2008 Form CT-1. File Form CT-1 X by February 28, 2010 and pay the amount you owe when you file. See *When Should You File Form CT-1 X?* on page 2. For details on how to make a payment, see the instructions for line 19 on page 8. **Do not** attach Form CT-1 X to your 2009 Form CT-1.

If you overreported the tax. If you overreported the tax on a previously filed Form CT-1, you may **choose** to:

- *use the adjustment process.* Check the box on line 1 to apply any credit (negative amount) from line 19 to Form CT-1 for the year during which you file Form CT-1 X, or
- *use the claim process.* Check the box on line 2 to file a claim on Form CT-1 X requesting a refund or abatement of the amount shown on line 19.

TIP: To ensure that the IRS has enough time to process a credit for an **overreporting adjustment** in the year during which you file Form CT-1 X, you are encouraged to file Form CT-1 X correcting the overreported amount in the first eleven months of a year. For example, if you discover an overreported amount in December, you may want to file Form CT-1 X during the first eleven months of the next year. This should ensure that the IRS

will have enough time to process the Form CT-1 X so that the credit will be posted before you file Form CT-1, thus avoiding an erroneous balance due notice from the IRS. See the example below.

Example—You want your overreported tax applied as a credit to Form CT-1:

On December 22, 2009, you discover you overreported your tax on your 2008 Form CT-1. You choose the adjustment process (and check the box on line 1) to apply the overreported tax as a credit on your **2010** Form CT-1. To allow IRS enough time to process the credit, you file Form CT-1 X on February 6, 2010. Include the credit from line 19 of Form CT-1 X on line 14 (“Total railroad retirement tax deposits”) of your 2010 Form CT-1. Your credit will count as a tax deposit made on January 1, 2010, the first day of the 2010 calendar year. **Do not** attach Form CT-1 X to your 2009 or 2010 Form CT-1.

Specific Instructions:

Part 1: Select ONLY One Process

Because Form CT-1 X may be used to file either an adjusted railroad retirement tax return or a claim for refund or abatement of railroad retirement taxes, you **must** check one box in either line 1 or line 2. Do not check both boxes.

1. Adjusted Railroad Retirement Tax Return.

Check the box on line 1 if you are correcting underreported amounts or overreported amounts and you would like to use the adjustment process to correct the error.

If you are correcting both underreported amounts and overreported amounts on this form, you **must** check this box. If you check this box, any negative amount shown on line 19 will be applied as a credit (tax deposit) on your Form CT-1 for the year in which you are filing this form. See *Example—You want your overreported tax applied as a credit to Form CT-1* above.

If you owe tax. Pay the amount shown on line 19 when you file Form CT-1 X. Generally, you will not be charged interest if you file on time, pay on time, and enter the date you discovered the error.

If you have a credit. You overreported railroad retirement taxes (you have a negative amount on line 19) and want IRS to apply the credit on Form CT-1 for the period during which you filed Form CT-1 X. IRS will apply your credit to the first day of the Form CT-1 year during which you filed Form CT-1 X. However, the credit you show on line 19 of Form CT-1 X may not be fully available on your Form CT-1 if IRS corrects it during processing or you owe other taxes, penalties, or interest. IRS will notify you if your claimed credit changes or if the amount available as a credit was reduced because of unpaid taxes, penalties, or interest.

CAUTION: To allow enough time for IRS to process your credit, consider filing Form CT-1 X only in the first eleven months of a year. See the *TIP* on page 3. Do not check the box

on line 1 if you are correcting overreported amounts and the period of limitations for corrections to Form CT-1 will expire within 90 days of the date you file Form CT-1 X. Instead, check the box on line 2. See *Is There a Deadline for Filing Form CT-1 X?* on page 2.

2. Claim

Check the box on line 2 to use the claim process if you are correcting **overreported amounts only** and you are claiming a refund or abatement for the negative amount (credit) shown on line 19. Do not check this box if you are correcting ANY underreported amounts on this form.

You must check the box on line 2 if you have a credit and the period of limitations for corrections to Form CT-1 will expire within 90 days of the date you file Form CT-1 X. See *Is There a Deadline for Filing Form CT-1 X?* on page 2.

Unless IRS corrects Form CT-1 X during processing or you owe other taxes, penalties, or interest, IRS will refund the amount shown on line 19, plus any interest that applies.

IRS usually processes claims shortly after they are filed. IRS will notify you if your claim is denied, accepted as filed, or selected to be examined. Get Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund, for more information.

Part 2: Complete the Certifications

You must complete all certifications that apply by checking the appropriate boxes. If all of your corrections relate to underreported amounts, complete line 3 only; skip lines 4 and 5 and go to Part 3.

3. Filing Forms W-2 or Forms W-2c

Check the box on line 3 to certify that you filed or will file Forms W-2 or Forms W-2c, whichever is appropriate, showing your employees' correct wage and tax amounts. See the Instructions for Forms W-2 and W-3 and the Instructions for Forms W-2c and W-3c for detailed information about filing requirements.

You must check the box on line 3 to certify that you filed Forms W-2 or Forms W-2c even if your corrections on Form CT-1 X do not change amounts shown on those forms. For example, if your only correction to Form CT-1 involves misstated tax adjustments (see the instructions for line 9), check the box on line 3 to certify that you already filed all required Forms W-2 and W-2c.

4. Certifying Overreporting Adjustments

If you overreported railroad retirement taxes and checked the box on line 1, check the appropriate box on line 4. You may need to check more than one box.

4a. Check the box on line 4a if your overreported amount includes each affected employee's share of overcollected taxes. You are certifying that you repaid or reimbursed the employee's share of current and prior year taxes and you received written

statements from the employees stating that they did not and will not receive a refund or credit for the prior year taxes.

Example. The following is an example of the written statement that is required from employees.

Employee name _____
Employer name _____
I have received a repayment of \$ _____ as overcollected railroad retirement taxes for 20____. I have not claimed a refund of or credit for the overcollected taxes from IRS, or if I did, that claim has been rejected; and I will not claim a refund or a credit of the amount.
Employee signature _____
Date _____

Do not send these statements to IRS. Keep them for your records.

4b. Check the box on line 4b to certify that your overreported amount is only for the employer share of taxes on those employees who you were unable to find or those who would not (or could not) give you a statement described on line 4a.

4c. Check the box on line 4c to certify that your overreported amount is only for railroad retirement taxes that you did not withhold from your employees.

5. Certifying Refund Claims

If you are filing a claim for refund or abatement of overreported railroad retirement taxes and checked the box on line 2, check the appropriate box on line 5. You may need to check more than one box.

5a. Check the box on line 5a if your overreported tax includes each affected employee's share of railroad retirement taxes. You are certifying that you repaid or reimbursed to the employees their share of prior year railroad retirement taxes and you received written statements from those employees stating that they did not and will not receive a refund or credit for the prior year taxes.

5b. Check the box on line 5b if your overreported tax includes each affected employee's share of railroad retirement taxes. You may check this box even if you have not yet repaid or reimbursed the employee share of taxes. You are certifying that you received consent from each affected employee to file a claim for refund on the employee share of those taxes and you received written statements from those employees stating that they did not and will not receive a refund or credit for the prior year taxes.

Example. The following is an example of the consent and written statement that is required from employees when you are filing a claim for refund and have **not yet repaid or reimbursed** the employee share of taxes.

Employee name _____
Employer name _____
I give my consent to have my employer (named above) file a claim on my behalf with IRS requesting \$ _____ in

overcollected railroad retirement taxes for 20____. I have not claimed a refund of or credit for the overcollected taxes from IRS, or if I did, that claim has been rejected; and I will not claim a refund or a credit of the amount.

Employee signature _____
Date _____

Do not send these statements to IRS. Keep them for your records.

Note. If you do not currently have consents from your employees, you may still be able to file a claim for refund or abatement following the Chicago Milwaukee Corp. (40 F.3d 373) court decision. Be sure to cite "Chicago-Milwaukee" as you first comment on line 22.

5c. Check the box on line 5c to certify that your overreported tax is only for the employer share of railroad retirement taxes. Affected employees did not give you consent to file a claim for refund for the employee share of railroad retirement taxes, they could not be found, or would not (or could not) give you a statement described on line 5b.

5d. Check the box on line 5d to certify that your overreported amount is only for railroad retirement taxes that you did not withhold from your employees.

Part 3: Enter the Corrections for This Year

What Amounts Should You Report in Part 3?

In columns 1 and 2 of lines 6 through 15, show amounts for **all** of your employees, not just for those employees whose amounts you are correcting.

If a correction that you report in column 4 was caused by offsetting errors (see the instructions for line 20), give us details for each error on line 22.

Because special circumstances apply for lines 17 and 18, read the instructions for each line carefully before entering amounts in the columns.

CAUTION: If you previously adjusted or amended Form CT-1 using Form 941c, Form CT-1 X, Form 843, an "amended" Form CT-1, by filing a "supplemental" Form CT-1, or because of an IRS examination change, show amounts in column 2 that include those previously reported corrections.

6. Tier I Employer Tax--Compensation

If you are correcting compensation (other than tips and sick pay) for the tier I employer tax you reported on line 1 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 6 (column 1)

~~line 6 (column 2)~~

line 6 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 6 (column 3)
 x .062
 line 6 (column 4) If the amount in column 3 used a minus sign,
 also use a minus sign in column 4.

Example—Tier I compensation decreased

You reported \$9,000 as tier I compensation in computing the tax on line 1 of your 2008 Form CT-1. In December of 2009, you discovered that you included \$2,000 in compensation for one of your employees twice. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 1 of Form CT-1) -	<u>9,000.00</u>
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (6.2%)	<u> x .062</u>
Column 4 (tax correction)	-124.00

Be sure to explain the reasons for this correction on line 22.

7. Tier I Employer Medicare Tax--Compensation

If you are correcting compensation (other than tips and sick pay) for the tier I employer Medicare tax you reported on line 2 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 7 (column 1)
~~line 7 (column 2)~~
 line 7 (column 3) If the amount in column 2 is larger than the
 amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 7 (column 3)
 x .0145
 line 7 (column 4) If the amount in column 3 used a minus sign,
 also use a minus sign in column 4.

Example—Tier I Medicare compensation decreased

Following *Example—Tier I compensation decreased* in the instructions for line 6, the compensation that you counted twice was also tier I employer Medicare compensation. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 2 of Form CT-1) -	<u>9,000.00</u>
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (1.45%)	<u> x .0145</u>
Column 4 (tax correction)	-29.00

Be sure to explain the reasons for this correction on line 22.

8. Tier II Employer Tax--Compensation

If you are correcting compensation (other than tips) for the tier II employer tax you reported on line 3 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 8 (column 1)
~~line 8 (column 2)~~
 line 8 (column 3) If the amount in column 2 is larger than the
 amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by the rate that applies to the year you are correcting and enter that result in column 4. If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier II compensation decreased

Following *Example—Tier I compensation decreased* in the instruction for line 6, the compensation that you counted twice was also tier II employer compensation. **Because you are correcting your 2008 Form CT-1 in this example, use the rate for line 3 (12.1%) shown on that return.** To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 3 of Form CT-1) -	<u>9,000.00</u>
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (12.1%)	<u> x .121</u>
Column 4 (tax correction)	-242.00

Be sure to explain the reasons for this correction on line 22.

9. Tier I Employee Tax--Compensation

If you are correcting compensation (other than tips) for the tier I employee tax you reported on line 4 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 9 (column 1)
~~line 9 (column 2)~~
 line 9 (column 3) If the amount in column 2 is larger than the
 amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 9 (column 3)
 x .062
 line 9 (column 4) If the amount in column 3 used a minus sign,
 also use a minus sign in column 4.

10. Tier I Employee Medicare Tax—Compensation

If you are correcting compensation (other than sick pay) for the tier I employee Medicare tax you reported on line 5 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 10 (column 1)
-line 10 (column 2)
 line 10 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 10 (column 3)
x .0145
 line 10 (column 4) If the amount in column 3 used a minus sign, also use a minus sign in column 4.

11. Tier II Employee Tax—Compensation

If you are correcting compensation (other than tips) for the tier II employee tax you reported on line 6 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 11 (column 1)
-line 11 (column 2)
 line 11 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 **by the rate that applies to the year you are correcting** and enter that result in column 4. If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier II compensation decreased

Following *Example—Tier I compensation decreased* in the instruction for line 6, the compensation that you counted twice was also tier II employee compensation. **Because you are correcting your 2008 Form CT-1 in this example, use the rate for line 6 (3.9%) shown on that return.** To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 6 of Form CT-1)	- <u>9,000.00</u>
Column 3 (difference)	-2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (3.9%)	<u>x .039</u>
Column 4 (tax correction)	-78.00

Be sure to explain the reasons for this correction on line 22.

12. Tier I Employer Tax—Sick Pay

If you are correcting sick pay for the tier I employer tax you reported on line 7 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 12 (column 1)
-line 12 (column 2)
 line 12 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 12 (column 3)
x .062
 line 12 (column 4) If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier I sick pay decreased

You reported \$7,000 as tier I employer sick pay in computing the tax on line 7 of your 2008 Form CT-1. In December of 2009, you discovered that you overlooked \$2,000 in sick pay for one of your employees. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	9,000.00
Column 2 (from line 7 of Form CT-1)	- <u>7,000.00</u>
Column 3 (difference)	2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	2,000.00
Tax rate (6.2%)	<u>x .062</u>
Column 4 (tax correction)	124.00

Be sure to explain the reasons for this correction on line 22.

13. Tier I Employer Medicare Tax—Sick Pay

If you are correcting sick pay for the tier I employer Medicare tax you reported on line 8 of Form CT-1, enter the total corrected sick pay amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 13 (column 1)
-line 13 (column 2)
 line 13 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 13 (column 3)
x .0145
 line 13 (column 4) If the amount in column 3 used a minus sign, also use a minus sign in column 4.

14. Tier I Employee Tax—Sick Pay

If you are correcting sick pay for the tier II employee tax you reported on line 9 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 14 (column 1)
~~line 14 (column 2)~~
 line 14 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 14 (column 3)

 x .062
 line 14 (column 4) If the amount in column 3 used a minus sign, also use a minus sign in column 4.

15. Tier I Employee Medicare Tax—Sick Pay

If you are correcting sick pay for the tier I employee Medicare tax you reported on line 10 of Form CT-1, enter the total corrected compensation amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 15 (column 1)
~~line 15 (column 2)~~
 line 15 (column 3) If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 15 (column 3)

 x .0145
 line 15 (column 4) If the amount in column 3 used a minus sign, also use a minus sign in column 4.

16. Tax Adjustments

Do not enter an amount on line 16 unless you need to **correct** any adjustments reported on line 12 of a previously filed Form CT-1 for 2006, 2007, or 2008. Amounts reported on line 16 reflect corrections of amounts misstated on line 12 of Form CT-1. See *Example—Current year's sick pay underreported* below.

Enter the corrected amount for tax adjustments in column 1. Enter the originally reported or previously adjusted amount from line 12 of Form CT-1 in column 2. In column 3, enter the difference between columns 1 and 2.

line 16 (column 1)
~~line 16 (column 2)~~
 line 16 (column 3)

TIP: You may need to report negative numbers in any column. Make sure that the difference you enter in column 3 accurately represents the change to adjustments originally reported or previously corrected on line 12 of Form CT-1.

Copy the amount in column 3 to column 4. Include any minus sign shown in column 3.

On line 22, describe what you misreported on Form CT-1. Tell us if your adjustment is for fractions of cents, sick pay, or credits for overpayments of penalty or interest paid on tax for earlier years.

Example—Current year's sick pay underreported

You reported \$6,900 (shown as “-6,900.00”) as a sick pay adjustment (reduction to tax) on line 12 of your 2008 Form CT-1. Your sick pay adjustment should have been \$9,600 (shown as “-9,600.00”). You discovered the error in April of 2009. To correct the error, figure the difference on Form CT-1 as shown.

Column 1 (corrected amount)	-9,600.00
Column 2 (from line 12 of Form CT-1)	- (6,900.00)
Column 3 (difference)	-2,700.00

Here is how you would enter the numbers on Form CT-1 X.

Column 1 (corrected amount)	Column 2 (from line 12, Form CT-1)	Column 3 (difference)
-9,600.00	-6,900.00	-2,700.00

Report “-2,700.00” as your correction in column 4.

In this example, you are claiming a credit for \$2,700 in overreported tax for your 2008 Form CT-1. Always enter the same amount in column 4 (including any minus sign) that you enter in column 3.

Be sure to explain the reasons for this correction on line 22.

CAUTION: Do not use line 16 to report newly discovered errors for prior periods. Instead, file Form CT-1 X for each year.

17—18. Special Additions to Wages for Tier I and Tier II Taxes

On lines 17 and 18 enter **only** corrections to wages resulting from reclassifying certain workers as employees or as otherwise directed by IRS personnel.

Unlike other lines on Form CT-1 X, enter in column 1 only the corrected compensation amount related to worker reclassification, **not** the compensation for ALL employees. Enter previously reported reclassification amounts (if any) in column 2. To get the amount for column 4, use the tax rates provided in the IRS notification document when multiplying the amount in column 3. (You may qualify to use the special rates under section 3509 even if you have not received IRS notification.) The tax correction in column 4 will be a positive number if you increased the amount of wages you previously reported.

19. Total

Combine the amounts on lines 6 through 18 of column 4.

Example:

You entered “-500” in column 4 of line 6, “-100.00” in column 4 of line 7, and “1,400.00” in column 4 of line 16. Combine these amounts and enter “800.00” in column 4 of line 19.

Line 6	-500.00
Line 7	-100.00
Line 16	+ <u>1,400.00</u>
Line 19	800.00

Your credit. If the amount entered on line 19 is less than zero, for example, “-115.00,” you have a credit because you overreported your federal railroad retirement taxes.

- If you checked the box on line 1, **include** this amount on line 12 (“Total railroad retirement tax deposits”) of Form CT-1 for the year during which you filed Form CT-1 X.
- If you checked the box on line 2, you are filing a claim for refund or abatement of the amount shown.

If your credit is less than \$1, we will send a refund or apply it only if you ask us in writing to do so.

Amount you owe. You must pay the amount you owe when you file Form CT-1 X. You may not use any credit that you show on another Form CT-1 X to pay the amount you owe, even if you filed for the amount you owe and the credit at the same time. You may pay the amount you owe on line 19 electronically using the Electronic Federal Tax Payment System (EFTPS), by credit card, or by a check or money order.

- The preferred method of payment is EFTPS. For more information, visit www.eftps.gov, call EFTPS Customer Service at 1-800-555-4477 toll free, or get Pub. 966, The Secure Way to Pay Your Federal Taxes.
- To pay by credit card, visit the IRS website at www.irs.gov and click on the *electronic IRS* link.
- If you pay by check or money order, make it payable to “United States Treasury.” On your check or money order, be sure to write your EIN, “Form CT-1 X,” and the year corrected.

CAUTION. Do not use a federal tax deposit coupon (Form 8109 or Form 8109-B) to make a payment with Form CT-1 X.

You do not have to pay if the amount you owe is less than \$1.

Previously assessed FTD penalty. If line 19 reflects overreported tax and the IRS previously assessed a failure-to-deposit (FTD) penalty, you may be able to reduce the penalty. For more information, see the instructions for Form 945-A.

Part 4: Explain Your Corrections for This Year.

20. Reporting Offsetting Corrections

Check the box on line 20 if you are correcting more than one error on a line on lines 6 through 18 and column 3 reflects the difference between a correction that increases tax and another correction that decreases tax. We call these offsetting corrections.

Example:

If you had an increase to tier I employer compensation of \$15,000 for employee A and a decrease to tier I employer compensation of \$5,000 for employee B, you would enter \$10,000 on line 6, column 3. That \$10,000 represents the net change from offsetting corrections.

On line 22, you must explain the reason for both the \$15,000 increase and the \$5,000 decrease.

21. Did You Reclassify Any Workers?

Check the box on line 21 if you reclassified any workers to be subcontractors or nonemployees. Also check this box if IRS (or you) determined that workers you treated as subcontractors or nonemployees should be classified as employees. On line 22, give us a detailed reason why any worker was reclassified.

Return not filed because you did not treat any workers as employees. If you did not previously file Form CT-1 because you mistakenly treated workers as subcontractors or as nonemployees, file a Form CT-1 for each delinquent year.

On each Form CT-1 for which you are entitled to use section 3509 rates,

- write “Misclassified Employees” in red ink across the top margin of page 1,
- enter a zero on line 11 (“Total railroad retirement taxes based on compensation”),
- complete the signature area (“Sign Here”), and
- attach a completed Form CT-1 X (see instructions below).

On each attached Form CT-1 X,

- enter the wage amounts in column 1 of lines 17 and 18,
- enter zeros in column 2 of lines 6, 17, and 18,
- complete columns 3 and 4 as instructed in Part 3, and
- complete the signature area.

CAUTION: If you cannot use section 3509 rates (for example, because you did not file required information returns for workers you treated as nonemployees), file a Form CT-1 for each delinquent year. Do not attach Form CT-1 X. Write “Misclassified Employees” in red ink across the top margin of page 1 of each Form CT-1. Complete Form CT-1 using the Instructions for Form CT-1.

22. Explain Your Corrections.

Treasury regulations require you to explain in detail the grounds and facts relied upon to support each correction. On line 22, describe in detail each correction you entered in column 4 on lines 6 through 18. If you need more space, attach additional sheets, but be sure to write your name, EIN, and calendar year on the top of each sheet.

You must describe the events that caused the underreported or overreported compensation, administrative errors, or payroll errors. Explanations such as “railroad retirement compensation was overstated” or “administrative/payroll errors were discovered” are insufficient and may delay processing your

Form CT-1 X because IRS may need to ask for a more complete explanation.

The following is the information we need in your explanation for each error you are correcting.

- Form CT-1 X line number(s) affected
- Date you discovered the error
- Difference (amount of the error)
- Cause of the error

You may report the information in paragraph form. The following paragraph is an example.

“The \$1,000 difference shown in column 3 of lines 6 and 7 was discovered on May 15, 2009 during a payroll audit. By mistake, we issued checks to a former worker after termination. This correction removes the reported wages that were never paid.”

For corrections shown on lines 17 and 18, explain why the correction was necessary and attach any notice you received from the IRS.

Part 5. Sign Here

You must complete all three pages of Form CT-1 X and sign it on page 3. If you do not sign, processing of Form CT-1 X will be delayed.

Who must sign the Form CT-1 X? Form CT-1 X must be signed by one of the following:

- **Sole proprietorship**—The individual who owns the business.
- **Corporation (including an LLC treated as a corporation)**—The president, vice president, or other principal officer duly authorized to act.
- **Partnership (including an LLC treated as a partnership) or unincorporated organization**—A responsible and duly authorized member or officer having knowledge of its affairs.
- **Single member limited liability company (LLC) treated as a disregarded entity**—The owner of the limited liability company (LLC).
- **Trust or estate**—The fiduciary.

A duly authorized agent of the taxpayer may also sign Form CT-1 X if a valid power of attorney has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form CT-1 X by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39. You can find Rev. Proc. 2005-39, 2005-28 I.R.B. 82, at www.irs.gov/irb/2005-28_IRB/ar16.html. Paid preparers are not permitted to sign an adjusted return or claim by rubber stamp or using a mechanical device such as a signature pen.

Paid Preparer's Use Only

You must complete this section if you were paid to prepare Form CT-1 X and are not an employee of the filing entity. Sign in the space provided. Give the employer the return to file with

the IRS and include a copy of the return for the employer's records.

If you are a paid preparer, write your SSN or your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, write the firm's name and the EIN of the firm. You can apply for a PTIN using Form W-7P, Application for Preparer Tax Identification Number. You cannot use your PTIN in place of the EIN of the tax preparation firm.

Generally, you are not required to complete this section if you are filing the return as a reporting agent and have a valid Form 8655, Reporting Agent Authorization, on file with the IRS. However, a reporting agent must complete this section if the reporting agent offered legal advice, for example, advising the client on determining whether its workers are employees or independent contractors for federal tax purposes.

How Can You Order Forms and Publications from the IRS?

TELEPHONE: Call the IRS at 1-800-829-3676

COMPUTER: Visit the IRS website at www.irs.gov.

Additional Information

You may find the following products helpful when using Form CT-1 X.

- Form CT-1, Employer's Annual Railroad Retirement Tax Return
- Form W-2, Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- Instructions for Forms W-2 and W-3
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Form 945-A, Annual Record of Federal Tax Liability
- Instructions for Form CT-1
- Instructions for Forms W-2c and W-3c
- Instructions for Form 843
- Instructions for Form CT-1
- Pub. 15 (Circular E), Employer's Tax Guide
- Pub. 966, The Secure Way to Pay Your Federal Taxes

Paperwork Reduction Act Notice

We ask for the information on Form CT-1 X to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the

form displays a valid OMB control number. Books and records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete and file Form CT-1 X will vary depending on individual circumstances. The estimated average time is:

Recordkeeping.....X hr., X min.
Learning about the law or the form..... X min.
Preparing and sending the form to the IRS..... X min.

If you have comments concerning the accuracy of this time estimate or suggestions for making this form simpler, we would be happy to hear from you. You can write to the IRS at the address shown in the Privacy Act and Paperwork Reduction Act Notice in the Instructions for Form CT-1.