

**SUPPORTING STATEMENT
Internal Revenue Service**

Form CT-1, Employer's Annual Railroad Retirement Tax Return
Form CT-1X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for
Refund

OMB Control Number 1545-0001

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Section 3201 imposes a tax on railroad employees' earnings at a rate equal to the social security tax rate, as well as a tax on income commonly known as Tier II tax. IRC Section 3221 imposes the equivalent of employer FICA tax and a Tier II tax, on the employer.

Form CT-1 is used to report taxes imposed by the Railroad Retirement Tax Act (RRTA). Section 31.6011(a)-2(a)(1) of the employment tax regulations requires the employer to file Form CT-1 annually. Form CT-1X is used to correct errors on a previously filed Form CT-1.

2. USE OF DATA

The information contained in these forms will be used by the Railroad Retirement Board for their use in reconciling amounts of earnings credited to employees' earnings accounts against the employer's tax payments. The data will be used by the Internal Revenue Service and taxpayers to verify that the proper amount of tax is reported and excluded.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

Due to the low number of filers, the IRS has no plans to offer electronic filing for this collection.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaption from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The IRS proactively works with both internal and external stakeholders to minimize the burden on small businesses, while maintaining tax compliance. The Agency also seeks input regarding the burden estimates from the public via notices and tax product instructions.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

The information required is needed to comply with income tax laws related to a railroad employee's earnings, commonly known as Tier II tax. If this information is collected less frequently it would compromise the Agency's ability to enforce tax compliance. Tax compliance is a vital part of the government's ability to meet its' mission and serve the public.

1. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the Federal Register notice dated December 1, 2020 (85 FR 77341), we received no comments during the comment period regarding these regulations.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the "Business Master file (BMF)" and a Privacy Act System of Records notice (SORN) has been issued for these systems under IRS 22.062 – Electronic Filing Records; IRS 24.030 – Customer Account Data Engine (CADE) Individual Master File; IRS 24.046 - CADE Business Master File (BMF); IRS 34.037 - IRS Audit Trail and Security Records System. The Internal Revenue Service PIA's can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Form CT-1 is used to report taxes imposed by the Railroad Retirement Tax Act (RRTA). Form CT-1 X is used to correct errors on a previously filed Form CT-1. We estimate that 2,400 taxpayers will complete and file this form to report taxes imposed by the RRTA. The estimated burden for this collection to be 51,055 hours annually.

Authority	Form	# Respondents	# Responses Per Respondent	Annual Responses	Hours Per Response	Total Burden
IRC 3201	CT-1	1,900	1	1,900	18.65	35,435
IRC 3201	CT-1X	500	1	500	31.24	15,620
	Totals	2,400		2,400		51,055

Estimates of the annualized cost to respondents for the hour burdens shown are not available at this time.

The following are related regulations which impose no additional burden. Please continue to assign OMB number 1545-0001 to these regulations.

31.6011(a)-2(a)	31.6071(a)-1(b)	31.6011(a)-2(a)(1)	31.6302-1
31.6011(a)-2(b)	31.6071(a)-1	31.6302-2	

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

To ensure more accuracy and consistency across its information collections, IRS

is currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs. At the present time, the IRS estimates an annual cost of printing to be \$75,729.

Product	Aggregate Cost per Product (factor applied)	Printing and Distribution	Government Cost Estimate per Product
CT-1	\$ 57,959	\$ 0	\$57,959
CT-1X	\$ 17,770	\$ 0	\$17,770
Grand Total	\$ 75,729	\$ 0	\$75,729
Table costs are based on 2020 actuals obtained from IRS Chief Financial Office and Media and Publications			

1. **REASONS FOR CHANGE IN BURDEN**

IRS has significantly revised the 2020 Form CT-1 and CT-1X to allow for the reporting of new employment tax credits and the deferral of deposit and payment of certain taxes from the following provisions.

- P.L. 116-127: Section 7001, Payroll credit for required paid sick leave; Section 7003, Payroll credit for required family leave; and Section 7005, Wages paid by reason of the Emergency Paid Sick Leave Act and the Emergency Family and Medical Leave Expansion Act not considered compensation under section 3221(a)
- P.L. 116-136: Section 2301 Employee Retention Credit; and Section 2302, Delay of payment for employer payroll taxes.

The changes to Form CT-1 will result in an estimated burden increase of 5,985 hours. Changes to Form CT-1X will result in an estimated burden increase of 5,615 hours. IRS is making this submission to renew the OMB approval.

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses	2,400	0	0	0	0	2,400
Annual Time Burden (Hrs.)	51,055	11,600	0	0	0	39,455

2. **PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION**

There are no plans for tabulation, statistical analysis, and publication.

3. **REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE**

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

4. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

Note: The following paragraph applies to all collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained if their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.