

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

Chapter 22 of the Internal Revenue Code (IRC) contains the rules and requirements of taxes imposed by the Railroad Retirement Tax Act (RRTA). 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 Federal Insurance Contribution Act (FICA) tax and a Tier II tax on the employer. IRC sections 6011, 6071, and 6302, and their associated regulations, provide the requirements for filing returns, the time of filing, and the method of collecting taxes imposed by IRC Chapter 22.

Provisions of the American Rescue Plan Act of 2021, P.L. 117-2, added and extended several tax credits that may be claimed by railroad employers.

Form CT-1 is used by railroad employers to annually report taxes imposed by the Railroad Retirement Tax Act (RRTA) and claim eligible employer tax credits. 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 (IRS) 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

Small businesses should not be disadvantaged as the forms have been structured to request the least amount of information and still satisfy the requirements of the RRTA statutes and the needs of the IRS.

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. A less frequent collection of information would compromise the ability of the IRS to enforce tax compliance. Tax compliance is a vital part of the government's ability to meet its mission and serve the public.

7. 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

We received no comments during the public comment period in response to the Federal Register notice (87 FR 2486), dated January 14, 2022.

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 U.S.C. 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 Treasury/IRS 24.030 - Customer Account Data Engine (CADE) Individual Master File; Treasury/IRS 24.046 - CADE Business Master File (BMF); Treasury/IRS 34.037 - IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/privacy-disclosure/privacy-impact-assessments-pia>.

Title 26 U.S.C. 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 by railroad employers to report taxes imposed by the RRTA. Form CT-1 X is used to correct errors on a previously filed Form CT-1. The IRS estimates that there will be approximately 2,400 respondents annually, with an estimated total annual burden of 62,589 hours.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC 3201	Form CT-1	1,900	1	1,900	21.81	41,439
IRC 3201	Form CT-1 X	500	1	500	42.30	21,150
<b>Totals</b>		<b>2,400</b>		<b>2,400</b>		<b>62,589</b>

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

31.6302-1

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

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The Federal Government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. These costs do not include any activities such as taxpayer assistance and enforcement.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables, such as complexity, number of pages, type of product, and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries, and other outlets. The result is the government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

Product	Aggregate Cost per Product (factor applied)	Printing and Distribution	Government Cost Estimate per Product
Form CT-1	\$79,900	\$0	\$79,900
Form Instructions CT-1	\$13,170	\$0	\$13,170
Form CT-1 X	\$20,487	\$0	\$20,487
Instructions CT-1 X	\$8,049	\$0	\$8,049
<b>Grand Total</b>	<b>\$121,606</b>	<b>\$0</b>	<b>\$121,606</b>

Table costs are based on 2021 actuals obtained from IRS Chief Financial Office and Media and Publications

15. REASONS FOR CHANGE IN BURDEN

There is no change in the paperwork burden previously approved by OMB. The IRS is making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

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

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

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

18. 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.