

Program Letter

United States
Railroad Retirement Board
Bureau of the Actuary and Research



Financial Interchange Division

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TO: **Certification Contact Officials**

SUBJECT: **Form BA-15, Report of Stock Options and Other Payments**

Please share this information with the appropriate members of your staff who file service and compensation reporting forms for employees of your organization.

Background:

A recent court ruling, *Wisconsin Central Ltd. v. U.S.*, 138 S.Ct. 2067 (2018), determined that non-qualified stock options (NQSOs) are not taxable under Section 3231 of the Railroad Retirement Tax Act (RRTA) but are still taxable under the Federal Insurance Contributions Act (FICA). With a narrower definition of compensation under the RRTA, the amount of payroll subject to tax from a railroad employer will be lower than what it would have been under the FICA. As a result, the railroad employer must provide information to the RRB regarding the value of NQSOs separately from a railroad worker's reported RRTA compensation to determine the payroll taxes due to the Social Security Administration and Centers for Medicare and Medicaid Services.

Employers are required each year, by the last day of February, to submit Form BA-15, Report of Stock Options and Other Payments, for all employees who received NQSOs payments during the previous year.

Additionally, in *Union Pacific Railroad Co. v. U.S.*, 865 F.3d 1045 (8th Cir. 2017), the Eighth Circuit Court of Appeals determined whether certain ratification payments were taxable under the RRTA. If railroad workers have received ratification payments from the railroad employer that were not included in the employee's reported RRTA compensation, include those payments on this Form BA-15. Please consult your tax advisor for additional guidance.¹

¹ Note that the IRS has taken the position that it will continue to treat ratification payments as subject to RRTA. See AOD-2019-02, IRB 2019-4.

Form BA-15 can be submitted via File Transfer Protocol (FTP), secure E-mail or sent via CD-ROM, as instructed in filing instructions. The format for the files can be found in the Excel data file or attached to this letter. See Program Letter 2008-05 for more information about using electronic file transfer methods.

Paperwork Reduction Act (PRA) Notice

We estimate this form will take an average of 300 minutes per positive response to complete and an average of 15 minutes per negative response to complete. Responses include the time needed for reviewing the instructions, getting the needed data, and reviewing the completed form. Federal agencies may not conduct or sponsor, and respondents are not required to respond to, a collection of information unless it displays a valid OMB number. If you wish, send any comments regarding the accuracy of our estimate or any other aspect of this form, including suggestions for reducing the completion time, to the Associate Chief Information Officer for Policy and Compliance, Railroad Retirement Board, 844 North Rush Street, Chicago, IL 60611-1275.

Attachment: Excel data file format