

2025



# Instructions for Form CT-1

## Employer's Annual Railroad Retirement Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form CT-1 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/CT1](https://www.irs.gov/CT1).

### What's New

**Changes to tax rates and compensation bases.** For the 2025 tax rates and compensation bases, see [Employer and Employee Taxes](#), later.

**Direct deposit of Form CT-1 refund is now available.** [Executive Order \(EO\) 14247](#), Modernizing Payments To and From America's Bank Account, issued on March 25, 2025, promotes operational efficiency by mandating the transition to electronic payments for all federal disbursements. Accordingly, the IRS will now issue Form CT-1 tax refunds by direct deposit. Direct deposit is a fast, simple, safe, and secure way to have your refund deposited automatically to your checking or savings account. Instead of a direct deposit refund, you can still choose to have your Form CT-1 overpayment applied to your next return by checking the appropriate box on line 18b. For more information, see the instructions for [line 18b](#) and [Direct Deposit](#), later.

**Make balance due payments electronically.** [EO 14247](#) also promotes operational efficiency by mandating the transition to electronic payments for all payments made to the federal government. Therefore, pay your balance due on Form CT-1 electronically. There are several easy, safe, and secure ways to pay your balance due electronically. For more information, see the instructions for [line 17](#), later.

**Withholding federal income tax on qualified tips and qualified overtime compensation.** For tax years beginning after 2024 and ending before 2029, P.L. 119-21, commonly known as the One Big Beautiful Bill Act, allows employees and self-employed individuals to deduct up to \$25,000 of qualified tips received in occupations that customarily and regularly received tips on or before December 31, 2024, on their income tax returns, and also allows individuals (employees and other workers not treated as employees) to deduct up to \$12,500 (\$25,000 if married filing jointly) of qualified overtime compensation on their income tax returns. Many employees receiving compensation subject to tax under the Railroad Retirement Tax Act (RRTA) (for example, locomotive mechanics, engineers, conductors, and other train crew) are paid overtime compensation under the Railway Labor Act. Certain employees of railroads are generally exempt from overtime pay under section 7 of the Fair Labor Standards Act (FLSA) of 1938, and therefore may not be eligible for the qualified overtime deduction. For more

information, see the instructions for the employment tax return (for example, Form 941) on which you report federal income tax withholding. Qualified overtime compensation is still generally subject to both the employer share and employee share of Tier 1 and Tier 2 taxes. Qualified tips are still generally subject to the employee share of Tier 1 and Tier 2 taxes.

### Reminders

**The COVID-19 related credit for qualified sick and family leave compensation is limited to leave taken after March 31, 2020, and before October 1, 2021, and may no longer be claimed on Form CT-1.**

Generally, the credit for qualified sick and family leave compensation, as enacted under the Families First Coronavirus Response Act (FFCRA) and amended and extended by the COVID-related Tax Relief Act of 2020, for leave taken after March 31, 2020, and before April 1, 2021, and the credit for qualified sick and family leave compensation under sections 3131, 3132, and 3133 of the Internal Revenue Code, as enacted under the American Rescue Plan Act of 2021 (the ARP), for leave taken after March 31, 2021, and before October 1, 2021, have expired. However, employers that pay qualified sick and family leave compensation in 2025 for leave taken after March 31, 2020, and before October 1, 2021, are eligible to claim a credit for qualified sick and family leave compensation in 2025. Effective for tax years beginning after 2023, the lines used to claim the credit for qualified sick and family leave compensation have been removed from Form CT-1 because it would be extremely rare for an employer to pay compensation after 2023 for qualified sick and family leave taken after March 31, 2020, and before October 1, 2021. Instead, if you're eligible to claim the credit for qualified sick and family leave compensation because you paid the compensation in 2025 for an earlier applicable leave period, file Form CT-1 X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund, after filing Form CT-1, to claim the credit for qualified sick and family leave compensation paid in 2025. Filing a Form CT-1 X before filing a Form CT-1 for the year may result in errors or delays in processing your Form CT-1 X.

**Outsourcing payroll duties.** Generally, as an employer, you're responsible to ensure that tax returns are filed and deposits and payments are made, even if you contract with a third party to perform these acts. You remain responsible if the third party fails to perform any required action. Before you choose to outsource any of your payroll and related tax duties (that is, withholding, reporting, and paying over income taxes and taxes imposed by the RRTA) to a third-party payer, such as a payroll service provider or reporting agent, go to [IRS.gov/OutsourcingPayrollDuties](https://www.irs.gov/OutsourcingPayrollDuties) for helpful information on this

topic. For more information on the different types of third-party payer arrangements, see section 16 of Pub. 15.

**Correcting a previously filed Form CT-1.** If you discover an error on a previously filed Form CT-1, make the correction using Form CT-1 X. Form CT-1 X is filed separately from Form CT-1. For more information, see the Instructions for Form CT-1 X or go to [IRS.gov/CorrectingEmploymentTaxes](https://www.irs.gov/CorrectingEmploymentTaxes).

**Change of address.** Use Form 8822-B to notify the IRS of an address change.

**Federal tax deposits must be made by electronic funds transfer (EFT).** You must use EFT to make all federal tax deposits. Generally, an EFT is made using the Electronic Federal Tax Payment System (EFTPS) or your IRS business tax account. If you don't want to use one of these methods, you can arrange for your tax professional, financial institution, payroll service, or other trusted third party to make electronic deposits on your behalf. Also, you may arrange for your financial institution to initiate a same-day wire payment on your behalf. EFTPS is a free service provided by the Department of the Treasury. Payments made through your IRS business tax account are also free. Services provided by your tax professional, financial institution, payroll service, or other third party may have a fee.

To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call 800-555-4477. To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966. For more information about making a payment through your IRS business tax account, go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount).

**Paid preparers.** If you use a paid preparer to complete Form CT-1, the paid preparer must complete and sign the paid preparer's section of Form CT-1.

**Additional information.** For more information, see one of the resources discussed next.

- Pub. 15 contains information for withholding, depositing, reporting, and paying over employment taxes.
- Pub. 15-A contains specialized and detailed employment tax information supplementing the basic information provided in Pub. 15.
- Pub. 15-B contains information about the employment tax treatment of various types of noncash compensation.
- Pub. 915 contains the federal income tax rules for social security benefits and equivalent Tier 1 railroad retirement benefits.
- The Railroad Retirement Board (RRB) website at [RRB.gov](https://www.rrb.gov) contains additional employer reporting information and instructions.

**How to get forms and publications.** You can download or print most of the forms and publications you may need at [IRS.gov/Forms](https://www.irs.gov/Forms). Otherwise, you can go to [IRS.gov/OrderForms](https://www.irs.gov/OrderForms) to place an order and have forms mailed to you. The IRS will process your order as soon as possible. Don't resubmit requests you've already sent us. You can get forms and publications faster online.

**Where can you get telephone help?** You can call the IRS Business and Specialty Tax Line at 800-829-4933 or 800-829-4059 (TDD/TTY for persons who are deaf, hard of hearing, or have a speech disability), Monday–Friday from 7:00 a.m. to 7:00 p.m. local time (Alaska and Hawaii follow Pacific time) for answers to your questions about completing Form CT-1 or tax deposit rules.

## Photographs of Missing Children

The IRS is a proud partner with the [National Center for Missing & Exploited Children® \(NCMEC\)](https://www.ncmec.org). Photographs of missing children selected by the Center may appear in instructions on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

## General Instructions

### Purpose of Form CT-1

These instructions tell you who must file Form CT-1, how to complete it line by line, and when and where to file it.

Use Form CT-1 to report taxes imposed by the RRTA. Use Form 941, Employer's QUARTERLY Federal Tax Return, or, if applicable, Form 944, Employer's ANNUAL Federal Tax Return, to report federal income taxes withheld from your employees' wages and other compensation.

**Tip:** In addition to filing Form W-2, Wage and Tax Statement, with the Social Security Administration to report compensation and withheld federal income tax, you must also report the creditable service and compensation of each employee who performed compensated service in the preceding year to the RRB on Form BA-3, Annual Report of Creditable Compensation. For more information about filing Form W-2, see the General Instructions for Forms W-2 and W-3. For more information about Form BA-3, go to [RRB.gov](https://www.rrb.gov).

### Who Must File

File Form CT-1 if you paid one or more employees compensation subject to tax under the RRTA.

A payer of sick pay (including a third party) must file Form CT-1 if the sick pay is subject to Tier 1 railroad retirement taxes. Include sick pay payments on lines 8–11 and, if the withholding threshold is met, line 12 of Form CT-1. Follow the reporting procedures for sick pay reporting in section 6 of Pub. 15-A.

After you file your first Form CT-1, you must file a return for each year, even if you didn't pay taxable compensation during the year, until you file a final return.

**Disregarded entities and qualified subchapter S subsidiaries (QSubs).** Eligible single-owner disregarded entities and QSubs are treated as separate entities for employment tax purposes. Eligible single-member entities that haven't elected to be taxed as corporations must report and pay employment taxes on compensation paid to their employees using the entities' own names and employer identification numbers (EINs). See Regulations sections 1.1361-4(a)(7) and 301.7701-2(c)(2)(iv).

Where To File

Send Form CT-1 to:

Department of the Treasury  
Internal Revenue Service Center  
Kansas City, MO 64999-0048

When To File

File Form CT-1 by March 2, 2026.

Definitions

The terms “employer” and “employee” used in these instructions are defined in section 3231 and in its regulations.

Compensation

Compensation means payment in money, meaning currency issued by a recognized authority as a medium of exchange, for services performed as an employee of one or more employers. It includes payment for time lost as an employee. A few exceptions are described later under [Exceptions](#).

**Group-term life insurance.** Include in compensation the cost of group-term life insurance over \$50,000 you provide to an employee. This amount is subject to Tier 1 and Tier 2 taxes but not to federal income tax withholding. Include this amount on your employee’s Form W-2.

Former employees for whom you paid the cost of group-term life insurance over \$50,000 must pay the employee’s share of these taxes with their income tax return. You’re not required to collect those taxes. For former employees, you must include on Form W-2 the part of compensation that consists of the cost of group-term life insurance over \$50,000. You must also separately report on Form W-2 the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service. For more information, see section 2 of Pub. 15-B and the General Instructions for Forms W-2 and W-3.

**Timing.** Compensation is considered paid when it is actually paid or when it is constructively paid. It is constructively paid when it is set apart for the employee, or credited to an account the employee can control, without any substantial limit or condition on how and when the payment is to be made.

Any compensation paid during the current year that was earned in a prior year is taxable at the current year’s tax rates; you must include the compensation with the current year’s compensation on Form CT-1, lines 1–12, as appropriate. An exception applies to nonqualified deferred compensation that was subject to Tier 1 and Tier 2 taxes in a prior year. See the rules for nonqualified deferred compensation plans in section 5 of Pub. 15-A.

**Exceptions.** Compensation doesn’t include the following.

- Certain benefits provided to or on behalf of an employee if at the time the benefits are provided it is reasonable to believe the employee can exclude such benefits from income. For information on what benefits are excludable, see Pub. 15-B. Examples of this type of benefit include:

1. Certain employee achievement awards under section 74(c),
  2. Certain scholarship and fellowship grants under section 117,
  3. Certain fringe benefits under section 132, and
  4. Employer payments to an Archer MSA under section 220 or health savings accounts (HSAs) under section 223.
- Stock or stock options.
  - Payments made specifically for traveling or other bona fide and necessary expenses that meet the rules in the regulations under section 62.
  - Payments for services performed by a nonresident alien temporarily present in the United States as a nonimmigrant under subparagraphs (F), (J), (M), or (Q) of the Immigration and Nationality Act.
  - Compensation under \$25 earned in any month by an employee in the service of a local lodge or division of a railway-labor-organization employer.

**Exceptions for sickness or accident disability payments.** For purposes of employee and employer Tier 1 taxes, compensation doesn’t include sickness or accident disability payments made to or on behalf of an employee or dependents:

- Under a workers’ compensation law,
- Under section 2(a) of the Railroad Unemployment Insurance Act for days of sickness due to an on-the-job injury,
- Under the Railroad Retirement Act, or
- More than 6 months after the calendar month the employee last worked.

For purposes of **Tier 2** taxes, compensation doesn’t include payments made to or on behalf of an employee or dependents under a sickness or accident disability plan or a medical or hospitalization plan in connection with sickness or accident disability.

Employer and Employee Taxes

Tax Rates and Compensation Bases

Tax rates	Compensation paid in 2025
<u>Tier 1</u>	
Employer and Employee: Each pay 6.2% of first . . . . .	\$176,100
<u>Tier 1 Medicare</u>	
Employer and Employee: Each pay 1.45% of . . . . .	All
<u>Tier 1 Employee Additional Medicare Tax withholding</u>	
Employee: Pays 0.9% on compensation exceeding . . . . .	\$200,000
<u>Tier 2</u>	
Employer: Pays 13.1% of first . . . . .	\$130,800
Employee: Pays 4.9% of first . . . . .	\$130,800

Employer Taxes

Employers must pay both Tier 1 and Tier 2 taxes, except for Tier 1 Employee Additional Medicare Tax. Tier 1 tax is



divided into two parts. The amount of compensation subject to each tax is different. See the table, earlier, for the 2025 tax rates and compensation bases.

**Concurrent employment.** If two or more related corporations that are rail employers employ the same individual at the same time and pay that individual through a common paymaster that is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement taxes than a single employer would. See Regulations section 31.3121(s)-1 for more information.

**Successor employers.** Successor employers should see section 3231(e)(2)(C) and Pub. 15 to see if they can use the predecessor's compensation paid against the maximum compensation bases.

Employee Taxes

You must withhold the employee's part of Tier 1 and Tier 2 taxes. See the table under [Employer and Employee Taxes](#), earlier, for the tax rates and compensation bases. See [Tips](#), later, for information on the employee tax on tips.

**Withholding or payment of employee tax by employer.** You must collect the employee railroad retirement tax from each employee by withholding it from employee compensation. If you don't withhold the employee tax, you must still pay the tax. If you withhold too much or too little tax because you can't determine the correct amount, correct the amount withheld by an adjustment, credit, or refund according to the applicable regulations.

If you pay the railroad retirement tax for your employee rather than withholding it, the amount of the employee's compensation is increased by the amount of that tax. See Rev. Proc. 83-43,1983-1 C.B. 778, for information on how to figure and report the proper amounts.

**Tips.** Your employee must report cash tips to you by the 10th day of the month following the month the tips are received. The report should include charged tips you paid over to the employee for charge customers, tips the employee received directly from customers, and tips received from other employees under any tip-sharing arrangement. Both directly and indirectly tipped employees must report tips to you. Cash tips must be reported for every month, unless the cash tips for the month are less than \$20. Stop collecting the Tier 1 Employee tax when the employee's compensation and tips for tax year 2025 reach \$176,100. Collect the Tier 1 Employee Medicare tax for the whole year on all compensation and tips. Collect the Tier 1 Employee Additional Medicare Tax withholding on compensation and tips that exceed \$200,000 for the calendar year.

An employee must furnish you with a written (or electronic) statement of cash tips, signed by the employee, showing (a) their name, address, and social security number; (b) your name and address; (c) the month or period for which the statement is furnished; and (d) the total amount of cash tips.

Tips are considered to be paid at the time the employee reports them to you. You must collect both employee railroad retirement tax and federal income tax (see [Withholding federal income tax on qualified tips and qualified overtime compensation](#), earlier) on cash tips

reported to you from the employee's compensation (after withholding employee railroad retirement and federal income tax related to the nontip compensation) or from other funds the employee makes available. Apply the compensation or other funds first to the railroad retirement tax and then to federal income tax. You don't have to pay employer railroad retirement taxes on tips.

If, by the 10th of the month after the month you received an employee's tip income report, you don't have enough employee funds available to withhold the employee tax, you may report the excess amount without withholding the related tax. Include the tips your employees report to you on lines 4, 5, 6, and 7, even if you were unable to withhold the employee's share of tax. Then report the uncollected Tier 1 Employee tax, Tier 1 Employee Medicare tax, Tier 1 Employee Additional Medicare Tax withholding, and Tier 2 Employee tax on tips on line 14. See section 6 of Pub. 15.

Depositing Taxes

For Tier 1 and Tier 2 taxes, you're either a monthly schedule depositor or a semiweekly schedule depositor. However, see [\\$2,500 Rule](#) and [\\$100,000 Next-Day Deposit Rule](#) under [Exceptions to the Deposit Rules](#), later. The terms "monthly schedule depositor" and "semiweekly schedule depositor" identify which set of rules you must follow when a tax liability arises (for example, when you have a payday). They don't refer to how often your business pays its employees or to how often you're required to make deposits.

If you were a monthly schedule depositor for the entire year, complete the Monthly Summary of Railroad Retirement Tax Liability in Part II of Form CT-1. If you were a semiweekly schedule depositor during any part of the year or you accumulated \$100,000 or more on any day during a deposit period, you must complete Form 945-A, Annual Record of Federal Tax Liability.

Lookback Period

Before each year begins, you must determine the deposit schedule to follow for depositing Tier 1 and Tier 2 taxes for a calendar year. This is determined from the total taxes reported on your Form CT-1 for the 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 2026 is calendar year 2024.

Use the table below to determine which deposit schedule to follow for 2026.

IF you reported taxes (Form CT-1, line 15) for the lookback period (2024) of...	THEN for 2026 you're a...
\$50,000 or less	monthly schedule depositor.
more than \$50,000	semiweekly schedule depositor.

**Example.** Rose Co. reported Form CT-1 taxes as follows.

- 2024 Form CT-1, line 15—\$49,000.
- 2025 Form CT-1, line 15—\$52,000.

Rose Co. is a monthly schedule depositor for 2026 because its Form CT-1 taxes for its lookback period (calendar year 2024) weren't more than \$50,000. However, for 2027, Rose Co. will be a semiweekly schedule depositor because the total taxes exceeded \$50,000 for its lookback period (calendar year 2025).

**New employer.** If you're a new employer, your taxes for both years of the lookback period are considered to be zero. Therefore, you're a monthly schedule depositor for the first and second years of your business. However, see [\\$100,000 Next-Day Deposit Rule](#), later.

**Adjustments and the lookback rule.** To determine the amount of taxes paid for the lookback period, use only the Form CT-1 taxes reported on your original return. Adjustments to a return for a prior period aren't taken into account in determining the taxes for that prior period.

**Example.** Maple Co. originally reported Form CT-1 taxes of \$45,000 for the lookback period (2024). Maple Co. discovered in March 2026 that the tax during the lookback period (2024) was understated by \$10,000 and will correct this error with an adjustment on Form CT-1 X filed for 2024.

Maple Co. is a monthly schedule depositor for 2026 because the lookback period Form CT-1 taxes are based on the amount originally reported (\$45,000), which wasn't more than \$50,000. For purposes of the lookback rule, the \$10,000 adjustment doesn't affect either 2024 taxes or 2026 taxes. See Treasury Decision 9405, available at [IRS.gov/irb/2008-32 IRB#TD-9405](#).

**When To Deposit**  
**Monthly Schedule Depositor**

If you're a monthly schedule depositor, deposit employer and employee Tier 1 and Tier 2 taxes accumulated during a calendar month by the 15th day of the following month.

**Example.** Spruce Co. is a monthly schedule depositor with seasonal employees. Spruce Co. paid compensation each Friday during April but didn't pay any compensation during May. Under the monthly schedule deposit rule, Spruce Co. must deposit the combined taxes for the April paydays by May 15. Spruce Co. doesn't have a deposit requirement for May (due by June 15) because no compensation was paid and, therefore, Spruce Co. doesn't have a tax liability for the month.

**Semiweekly Schedule Depositor**

If you're a semiweekly schedule depositor, use the table below to determine when to make deposits.

Deposit Tier 1 and Tier 2 taxes for payments made on...	No later than...
Wednesday, Thursday, and/or Friday	The following Wednesday
Saturday, Sunday, Monday, and/or Tuesday	The following Friday

**Example.** Green, Inc., a semiweekly schedule depositor, pays compensation on the last Friday of each

month. Although Green, Inc., is a semiweekly schedule depositor, Green, Inc., will deposit just once a month because Green, Inc., pays compensation only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: Green, Inc.'s taxes for the May 29, 2026 (Friday), payday must be deposited by June 3, 2026 (Wednesday). Under the semiweekly deposit rule, taxes arising on Wednesday through Friday must be deposited by the following Wednesday.

**Caution:** The last day of the calendar year ends the semiweekly deposit period and begins a new one.

**Deposits Due on Business Days Only**

If a deposit is required to be made on a day that isn't a business day, the deposit is considered to have been made timely if it is made by the close of the next business day. A business day is any day other than a Saturday, Sunday, or legal holiday. For example, if a deposit is due on a Friday and Friday is a legal holiday, the deposit will be considered timely if it is made by the following Monday (if that Monday is a business day). The term "legal holiday" for deposit purposes includes only those legal holidays in the District of Columbia. For a list of legal holidays, see section 11 of Pub. 15.

Semiweekly schedule depositors will always have at least 3 business days following the close of the semiweekly period to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a legal holiday, you have 1 additional day to deposit. For example, if you have Form CT-1 taxes accumulated for payments made on Friday and the following Monday is a legal holiday, the deposit normally due on Wednesday may be made on Thursday (allowing 3 business days to make the deposit).

**Exceptions to the Deposit Rules**

The two exceptions that apply to the deposit rules are the:

- \$2,500 Rule, and
- \$100,000 Next-Day Deposit Rule.

**\$2,500 Rule.** If your total Form CT-1 railroad retirement taxes based on compensation (line 15) for the year are less than \$2,500 and the taxes are fully paid with a timely filed Form CT-1, no deposits are required. However, if you're unsure that you will accumulate less than \$2,500, deposit under the appropriate deposit rules so that you won't be subject to deposit penalties.

**\$100,000 Next-Day Deposit Rule.** If you accumulate undeposited taxes of \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next business day regardless of whether you're a monthly or semiweekly schedule depositor. If you're a monthly schedule depositor and accumulate a \$100,000 tax liability on any day during the deposit period, you become a semiweekly schedule depositor on the next day and remain so for at least the rest of the calendar year and for the following calendar year.

If you're a monthly schedule depositor and you accumulate \$100,000 or more on any day during the

month, you become a semiweekly schedule depositor on the next day for the remainder of the calendar year and for the following year.

Once a semiweekly schedule depositor accumulates \$100,000 or more in a deposit period, it must stop accumulating at the end of that day and begin to accumulate anew on the next day. The following examples explain this rule.

**Example of \$100,000 Next-Day Deposit Rule.**

Fir Co. is a semiweekly schedule depositor. On Monday, Fir Co. accumulates taxes of \$110,000 and must deposit this amount by Tuesday, the next business day. On Tuesday, Fir Co. accumulates additional taxes of \$30,000. Because the \$30,000 isn't added to the previous \$110,000, Fir Co. must deposit the \$30,000 by Friday using the semiweekly deposit schedule.

**Example of \$100,000 Next-Day Deposit Rule during the first year of business.** Elm, Inc., started its business on Monday, May 4, 2026. Because this was the first year of its business, its Form CT-1 taxes for its lookback period (2024) are considered to be zero, and Elm, Inc., is a monthly schedule depositor. On Wednesday, May 6, it paid compensation for the first time and accumulated taxes of \$40,000. On Friday, May 8, it paid compensation and accumulated taxes of \$60,000, bringing its total accumulated (undeposited) taxes to \$100,000. Because Elm, Inc., accumulated \$100,000 or more on May 8 (Friday), Elm, Inc., must deposit the \$100,000 by May 11 (Monday), the next business day. Elm, Inc., became a semiweekly schedule depositor on May 9. Elm, Inc., will be a semiweekly schedule depositor for the rest of 2026 and for 2027.

**Example of when \$100,000 Next-Day Deposit Rule doesn't apply.** Oak Co., a semiweekly schedule depositor, accumulated taxes of \$95,000 on a Tuesday (of a Saturday-through-Tuesday deposit period) and accumulated \$10,000 on Wednesday (of a Wednesday-through-Friday deposit period). Because the \$10,000 was accumulated in a deposit period different from the one in which the \$95,000 was accumulated, the \$100,000 Next-Day Deposit Rule doesn't apply. Thus, Oak Co. must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

## Electronic Deposit Requirement

You must use EFT to make all federal tax deposits. Generally, an EFT is made using EFTPS or your IRS business account. To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.irs.gov/eftps) or call 800-555-4477. To contact EFTPS using TRS for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is also available in Pub. 966. For more information about making a payment through your IRS business tax account, go to [IRS.gov/BusinessAccount](https://www.irs.gov/BusinessAccount).

**Caution:** EFTPS accepts same day payments of \$1 million or less if the payment is submitted before 3:00 p.m. Eastern time on a business day. If your payment is more than \$1 million, you must submit the deposit by 8:00 p.m. Eastern time the day before the date the deposit is due.

**Same-day wire payment option.** If you fail to submit a timely deposit transaction on EFTPS, you can still make your deposit on time by using the Federal Tax Collection Service (FTCS) to make a same-day wire payment. To use the same-day wire payment method, you will need to make arrangements with your financial institution ahead of time. Check with your financial institution regarding availability, deadlines, and costs. Your financial institution may charge you a fee for payments made this way. To learn more about the information you will need to give your financial institution to make a same-day wire payment, go to [IRS.gov/SameDayWire](https://www.irs.gov/SameDayWire).

**Accuracy of deposits rule.** You're required to deposit 100% of your railroad retirement taxes on or before the deposit due date. However, penalties won't be applied for depositing less than 100% if both of the following conditions are met.

1. Any deposit shortfall doesn't exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited.

2. The deposit shortfall is paid or deposited by the shortfall makeup date for each type of depositor 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 \$2,500 or more.

- **Semiweekly schedule depositor.** Deposit the shortfall by the earlier of the first Wednesday or Friday on or after the 15th of the month following the month in which the shortfall occurred. For example, if a semiweekly schedule depositor has a deposit shortfall during February 2026, the shortfall makeup date is March 18, 2026 (Wednesday).

## Penalties and Interest

The law provides penalties for failure to file a return, late filing of a return, late payment of taxes, failure to make deposits, and late deposits unless filing and/or paying late is due to reasonable cause and not due to willful neglect. Interest is charged on taxes paid late at the rate set by law. For more information, see Pub. 15.

If you receive a notice about a penalty after you file this return, reply to the notice with an explanation and we will determine if you meet reasonable-cause criteria. Don't attach an explanation when you file your return.

Use Form 843 to request abatement of assessed penalties or interest. Don't request abatement of assessed penalties or interest on Form CT-1 or CT-1 X.

**Order in which deposits are applied.** Generally, tax deposits are applied first to the most recent tax liability within the specified tax period to which the deposit relates. If you receive a failure-to-deposit (FTD) penalty notice, you may designate how your payment is to be applied in order to minimize the amount of the penalty. You must respond within 90 days of the date of the notice. Follow the instructions on the notice you received. See Rev. Proc. 2001-58, available on page 579 of Internal Revenue Bulletin 2001-50 at [IRS.gov/pub/irs-irbs/irb01-50.pdf](https://www.irs.gov/pub/irs-irbs/irb01-50.pdf), for more information.



**Trust fund recovery penalty.** If taxes that must be withheld (that is, trust fund taxes) aren't withheld or aren't deposited or paid to the U.S. Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid trust fund tax. If these unpaid taxes can't be immediately collected from the employer or business, the trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. For more information, see *Trust fund recovery penalty* in section 11 of Pub. 15.

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## Specific Instructions

### Final Return

If you stop paying taxable compensation and won't have to file Form CT-1 in the future, you must file a final return and check the final return box at the top of Form CT-1 under "2025." The final return should be accompanied by a statement providing the last date on which you paid compensation that you reported on Form CT-1, the address at which the records for your Forms CT-1 will be kept, and the name of the person keeping the records. If the business has been transferred to another person, the statement should include the name and address of the transferee and the date of the transfer. If the business wasn't transferred or the transferee isn't known, the statement should so state.

**Caution:** Processing of your return may be delayed if you don't provide the required amounts in the *Compensation* and *Tax* columns.

### Line 1—Tier 1 Employer Tax

Enter the compensation (other than tips and sick pay) subject to Tier 1 Employer tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than \$176,100 per employee.

### Line 2—Tier 1 Employer Medicare Tax

Enter the compensation (other than tips and sick pay) subject to Tier 1 Employer Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column.

### Line 3—Tier 2 Employer Tax

Enter the compensation (other than tips) subject to Tier 2 Employer tax in the *Compensation* column. Don't enter more than \$130,800 per employee. Multiply by 13.1% and enter the result in the *Tax* column.

### Line 4—Tier 1 Employee Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier 1 Employee tax in the *Compensation* column. Multiply by 6.2% and enter the result in the *Tax* column. The total amount listed in the *Compensation* column for lines 4 and 10 combined may not be more than \$176,100 per employee.

Stop collecting the 6.2% Tier 1 **Employee** tax when the employee's compensation (including sick pay) and tips reach the maximum for the year (\$176,100 for 2025). However, your liability for Tier 1 **Employer** tax on compensation continues until the compensation paid in 2025 (including sick pay), but not including tips, totals \$176,100 for the year.

### Line 5—Tier 1 Employee Medicare Tax

Enter the compensation, including tips reported (but excluding sick pay), subject to Tier 1 Employee Medicare tax in the *Compensation* column. Multiply by 1.45% and enter the result in the *Tax* column. For information on reporting tips, see [Tips](#), earlier.

### Line 6—Tier 1 Employee Additional Medicare Tax Withholding

Enter the compensation, including tips reported (but excluding sick pay), that is subject to Tier 1 Employee Additional Medicare Tax withholding. You're required to begin withholding Tier 1 Employee Additional Medicare Tax in the pay period in which you pay compensation in excess of \$200,000 to an employee and continue to withhold it each pay period until the end of the calendar year. Tier 1 Employee Additional Medicare Tax is only imposed on the employee. There is no employer share of Tier 1 Additional Medicare Tax. All compensation (including sick pay) that is subject to Tier 1 Medicare tax is subject to Tier 1 Employee Additional Medicare Tax if paid in excess of the \$200,000 withholding threshold.

Go to [IRS.gov/ADMTfacts](https://www.irs.gov/ADMTfacts) for more information on Tier 1 Employee Additional Medicare Tax.

### Line 7—Tier 2 Employee Tax

Enter the compensation, including tips reported, subject to Tier 2 Employee tax in the *Compensation* column. Only the first \$130,800 of the employee's compensation (including tips) is subject to this tax. Multiply by 4.9% and enter the result in the *Tax* column. For information on reporting tips, see [Tips](#), earlier.

**Caution:** Any compensation paid during the current year that was earned in prior years (reported to the RRB on Form BA-4, Report of Creditable Compensation Adjustments) is taxable at the current-year tax rates, unless special timing rules for nonqualified deferred compensation apply. See Pub. 15-A. Include such compensation with current-year compensation on lines 1–7, as appropriate.

### Lines 8–12—Tier 1 Taxes on Sick Pay

Enter any sick pay payments during the year that are subject to Tier 1 taxes, Tier 1 Medicare taxes, and Tier 1 Employee Additional Medicare Tax withholding in the *Compensation* column. Multiply by the rate for the line and enter the result in the *Tax* column for that line. For Tier 1 Employer taxes, the total amount listed in the *Compensation* column for lines 1 and 8 combined may not be more than \$176,100 per employee. For Tier 1 Employee taxes, the total amount listed in the *Compensation* column for lines 4 and 10 combined may not be more than \$176,100 per employee. Tier 1 Medicare taxes aren't subject to a dollar limitation.

All compensation (including sick pay) that is subject to Tier 1 Medicare tax is subject to Tier 1 Employee Additional Medicare Tax if paid in excess of the \$200,000 withholding threshold.

If you're a railroad employer paying your employees sick pay, or a third-party payer who didn't notify the employer of the payments (thereby subject to the employee and employer taxes), make entries on lines 8–12. If you're subject to only the employer or employee tax, complete only the applicable lines. Multiply by the appropriate rates and enter the results in the *Tax* column.

## Line 13—Total Tax Based on Compensation

Add lines 1 through 12 and enter the result on line 13.

## Line 14—Adjustments to Taxes Based on Compensation

**Caution:** Don't use line 14 for prior-period adjustments. Make all prior-period adjustments on Form CT-1 X.

### Enter on line 14:

- A fractions-of-cents adjustment (see [Adjustment for fractions of cents](#), later);
- Credits for overpayments of penalty or interest paid on tax for earlier years; and
- Any uncollected Tier 1 Employee tax, Tier 1 Employee Medicare tax, Tier 1 Employee Additional Medicare Tax, and Tier 2 Employee tax on tips.

Enter the total of these adjustments in the *Tax* column. If you're reporting both an addition and a subtraction, enter only the difference between the two on line 14. If the net adjustment is negative, report the amount on line 14 using a minus sign, if possible. If your computer software doesn't allow the use of minus signs, you may use parentheses.

Don't include on line 14 any 2024 overpayment that is applied to this year's return (this is included on line 16).

**Required statement.** Except for adjustments for fractions of cents, explain amounts entered on line 14 in a separate statement. Include your name, your EIN, the calendar year of the return, and "Form CT-1" on each page you attach. Include in the statement the following information.

- An explanation of the item the adjustment is intended to correct showing the compensation subject to Tier 1 and Tier 2 taxes and their respective tax rates.
- The amount of the adjustment.
- The name and account number of any employee from whom employee tax was undercollected or overcollected.
- How you and the employee have settled any undercollection or overcollection of employee tax.

**Adjustment for fractions of cents.** If there is a small difference between the total employee tax (lines 4–7 and 10–12) and the total actually withheld from employee compensation including tips, it may be caused by rounding to the nearest cent each time you figured payroll. The difference, positive or negative, is your fractions-of-cents adjustment to be reported on line 14. If the actual amount withheld is less, report a negative adjustment in the entry space. If the actual amount is

more, report a positive adjustment. If this is the only entry on line 14, you're not required to attach a statement explaining the adjustment.

## Line 15—Total Railroad Retirement Taxes Based on Compensation

Combine the amounts shown on lines 13 and 14 and enter the result on line 15.

## Line 16—Total Deposits for the Year

Enter the total Form CT-1 deposits for the year, including any overpayment that you applied from filing Form CT-1 X and any overpayment that you applied from your 2024 return.

## Line 17—Balance Due

If line 15 is more than line 16, enter the difference on line 17. Otherwise, see the instructions for [line 18a](#), later. You don't have to pay if line 17 is under \$1. Generally, you should have a balance due only if your total railroad retirement taxes based on compensation (line 15) are less than \$2,500. However, see [Accuracy of deposits rule](#), earlier, regarding payments made under the accuracy of deposits rule.

If you were required to make federal tax deposits, pay the amount shown on line 17 by EFT. If you weren't required to make federal tax deposits or you're a monthly schedule depositor making a payment under the accuracy of deposits rule, you may pay the amount shown on line 17 by EFT, check, or money order. For more information on electronic payment options, go to [IRS.gov/Pay](#).

If you pay by EFT, file your return using the address under [Where To File](#), earlier. Don't file Form CT-1(V), Payment Voucher. If you pay by check or money order, make it payable to "United States Treasury." Enter your EIN, "Form CT-1," and "2025" on your check or money order. Complete Form CT-1(V) and enclose it with Form CT-1.

## Line 18a—Overpayment

If line 16 is more than line 15, enter the difference on line 18a. **Never make an entry on both lines 18a and 17.** If line 18a is less than \$1, we will send you a refund or apply it to your next return only if you ask us in writing to do so.

**Line 18b—Choose to have your overpayment applied to your next return or refunded.** If you deposited more than the correct amount for the year, you can have the overpayment refunded or applied to your next return by checking the appropriate box on line 18b. Check only one box on line 18b. If you don't check either box or if you check both boxes, generally we will apply the overpayment to your next return. Regardless of any boxes you check or don't check on line 18b, we may apply your overpayment to any past due tax account that is shown in our records under your EIN. If you check the box to have your overpayment refunded but you don't complete lines 18c–18e for direct deposit, your refund may be delayed.



## Direct Deposit

The benefits of a direct deposit include a faster refund, the added security of a paperless payment, and the savings of tax dollars associated with the reduced processing costs. To have your refund direct deposited, you must complete lines 18c–18e.

**Line 18c—Routing number.** The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Verify that your financial institution will accept a direct deposit. Ask your financial institution for the correct routing number to enter on line 18c if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- Your checks state they're payable through a financial institution different from the one at which you have your checking account.

**Line 18d—Type of account.** Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted. If you're unsure which box to check for the account you wish the deposit to be applied to, consult your financial institution.

**Line 18e—Account number.** The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. If the direct deposit to your account is different from the amount you expected, you'll receive an explanation in the mail about 2 weeks after your refund is deposited.

## Reasons Your Direct Deposit Request Will Be Rejected

If any of the following apply, your direct deposit request will be rejected and a check will be sent instead.

- The name on your account doesn't match the name on the refund, and your financial institution won't allow a refund to be deposited unless the name on the refund matches the name on the account.
- Your business is a corporation and the receiving financial institution is a foreign bank or a foreign branch of a U.S. bank.
- You haven't given a valid account number.
- Any numbers or letters on lines 18c through 18e are crossed out or whited out.

**Caution:** The IRS isn't responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

## Part II. Record of Railroad Retirement Tax Liability

This is a summary of your yearly tax liability, not a summary of deposits made. If line 15 is less than \$2,500, don't complete Part II or Form 945-A.

If you're a monthly schedule depositor, enter your tax liability for each month and figure the total liability for the

year. If you don't enter your tax liability for each month, the IRS won't know when you should have made deposits and may assess an "averaged" FTD penalty. See section 11 of Pub. 15. If your tax liability for any month is negative, don't enter a negative amount for the month. Instead, enter zero for the month and subtract that negative amount from your tax liability for the next month.

**Caution:** The amount shown on line V must equal the amount shown on line 15.

If you're a semiweekly schedule depositor or if you accumulate \$100,000 or more in tax liability on any day in a deposit period, you must complete Form 945-A and file it with Form CT-1. Don't complete lines I–V if you file Form 945-A.

## Third-Party Designee

If you want to allow an employee of your business, a return preparer, or another third party to discuss your Form CT-1 with the IRS, check the "Yes" box in the Third-Party Designee section. Also, enter the designee's name and phone number, and any five digits that person chooses as their personal identification number (PIN).

By checking "Yes," you authorize the IRS to talk to the person you named (your designee) about any questions we may have while we process your return. You also authorize your designee to do all of the following.

- Give us any information that is missing from your return.
- Call us for information about processing your return.
- Respond to certain IRS notices that you have shared with the designee about math errors and return preparation. The IRS won't send notices to your designee.

You're not authorizing the designee to receive any refund check, bind you to anything (including additional tax liability), or otherwise represent you before the IRS. If you want to expand the designee's authority, see Pub. 947.

The authorization will automatically expire 1 year from the due date (without regard to extensions) for filing your Form CT-1. If you or your designee wants to revoke this authorization, send the revocation or withdrawal to the IRS office at which you file your Form CT-1.

## Who Must Sign

The following persons are authorized to sign the return for each type of business entity.

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

Form CT-1 may also be signed by a duly authorized agent of the taxpayer if a valid power of attorney has been filed.

**Alternative signature method.** Corporate officers or duly authorized agents may sign Form CT-1 by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39, 2005-28 I.R.B. 82, available at [IRS.gov/irb/2005-28\\_IRB#RP-2005-39](https://www.irs.gov/irb/2005-28_IRB#RP-2005-39).

## **Paid Preparer Use Only**

A paid preparer must sign Form CT-1 and provide the information in the Paid Preparer Use Only section of Part I if the preparer was paid to prepare Form CT-1 and isn't an employee of the filing entity. The preparer must give you a copy of the return in addition to the copy to be filed with the IRS.

If you're a paid preparer, enter your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, enter the firm's name and the EIN of the firm. You can apply for a PTIN online or by filing Form W-12. For more information about applying for a PTIN online, go to [IRS.gov/PTIN](https://www.irs.gov/PTIN). You can't use your PTIN in place of the EIN of the tax preparation firm.

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

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**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on Form CT-1 to carry out the Internal Revenue laws of the United States. You're

required to give us this information. We need it to ensure that you're complying with these laws and to allow us to figure and collect the right amount of tax. Our authority to ask for information is found in sections 6001, 6011, and 6012(a) and their regulations. Section 6109 requires you to provide your identifying number on the return. If you don't provide the information we ask for, or provide false or fraudulent information, you may be subject to penalties.

You're 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 section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and territories for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file Form CT-1 will vary depending on individual circumstances. The estimated burden for employers filing Form CT-1 is approved under OMB control number 1545-0029 and is included in the estimates shown in the Instructions for Form 941 and the Instructions for Form 944.

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