

# 2002



Department of the Treasury  
Internal Revenue Service

# Instructions for Form CT-1

## Employer's Annual Railroad Retirement Tax Return

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

### General Instructions

#### What's New for 2002

- Recent legislation repealed the supplemental annuity work-hour tax and the special supplemental annuity tax (sections 3221(c) and (d)), effective for years beginning after December 31, 2001. Lines 1-4 and line 18 on the 2001 Form CT-1 have been deleted and the remaining lines renumbered.
- The filing address for Form CT-1 has changed. See **Where To File** below.

#### Purpose of Form

Use this form to report taxes imposed by the Railroad Retirement Tax Act (RRTA).

#### Who Must File

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

Also, an employer that pays sick pay or a third-party payer of sick pay that is subject to Tier I railroad retirement and Medicare taxes must file Form CT-1. See section 6 in **Pub. 15-A**, Employer's Supplemental Tax Guide, for details. However, see the exceptions under the definition of compensation below. Report sick pay payments on lines 7 through 10 of Form CT-1.

**Disregarded entities and qualified subchapter S subsidiaries.** Form CT-1 taxes for employees of a qualified subchapter S subsidiary (QSub) or an entity disregarded as an entity separate from its owner under Regulations section 301.7701-2(c)(2) may be reported and paid either:

- By its owner (as if the employees of the disregarded entity are employed directly by the owner) using the owner's name and taxpayer identification number (TIN) or
- By each entity recognized as a separate entity under state law using the entity's own name and TIN.

If the second method is chosen, the owner retains responsibility for the employment tax obligations of the disregarded entity. For more information, see Notice 99-6, 1999-1 C.B. 321.

#### Where To File

Send Form CT-1 to:

Internal Revenue Service Center  
Cincinnati, OH 45999-0007

#### When To File

File Form CT-1 by February 28, 2003.

#### Photographs of Missing Children

The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. 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.

### Definitions

**Employer and employee.** The terms "employer" and "employee" used in these instructions are defined in section 3231 and in its regulations.

**Compensation.** Compensation means payment in money, or in something that may be used instead of money, for services performed as an employee of one or more employers. It includes payment for time lost as an employee.

**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 I, Tier I Medicare, and Tier II taxes, but not to Federal income tax withholding. Include this amount on your employee's **Form W-2**, Wage and Tax Statement.

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 Form 1040. You are 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 and the amount of railroad retirement taxes owed by the former employee for coverage provided after separation from service. See section 2 of **Pub. 15-B**, Employer's Tax Guide to Fringe Benefits, for more information.

**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 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 lines 1 through 10 of Form CT-1, as appropriate.

**Exceptions.** Compensation **does not** include:

- Any benefit provided to or on behalf of an employee if at the time the benefit is provided it is reasonable to believe the employee can exclude such benefit from income. For information on what benefits are excludable, see **Pub. 15-B**. Examples of this type of benefit include:
  - Certain employee achievement awards under section 74(c),
  - Certain scholarship and fellowship grants under section 117,
  - Certain fringe benefits under section 132, and
  - Employer payments to an Archer MSA under section 220.
- 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. This applies to **Tier II** taxes only.

**Note:** For purposes of employee and employer **Tier I** taxes, compensation does not include sickness or accident disability payments made—

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

- Payments made specifically for traveling or other bona fide and necessary expenses that meet the rules in the regulations under section 62.
- Payments for service 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.

## Employer and Employee Taxes

### Tax Rates and Compensation Bases

Tax Rates	Compensation Paid in 2002
<b>Tier I</b>	
Employer and Employee: Each pay 6.2% of first . . . . .	\$84,900
<b>Tier I Medicare</b>	
Employer and Employee: Each pay 1.45% of . . . . .	All
<b>Tier II</b>	
Employer: Pays 15.6% of first . . . . .	\$63,000
Employee: Pays 4.9% of first . . . . .	\$63,000

**Employer taxes.** Employers must pay both Tier I and Tier II taxes. Tier I tax is divided into two parts. The amount of compensation subject to each tax is different. See the table above for the 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, which is one of the corporations, the corporations are considered a single employer. They have to pay, in total, no more in railroad retirement and Medicare 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 **Circular E**, Employer's Tax Guide (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 I and Tier II taxes. See the table above for the tax rates and compensation bases. See **Tips** below 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 deducting it from the compensation on which employee tax is charged. If you do not withhold the employee tax, you must still pay the tax. If you withhold too much or too little tax because you cannot determine the correct amount, correct the amount withheld by an adjustment, credit, or refund according to the regulations relating to the RRTA.

If you pay the railroad retirement tax for your employee rather than withholding it, see Rev. Proc. 83-43, 1983-1 C.B. 778, for information on how to figure and report the proper amounts.

**Tips.** An employee who receives tips must report them to you by the 10th of the month following the month the tips are received. Tips must be reported for every month, unless the tips for the month are less than \$20.

An employee must furnish you with a written statement of tips, signed by the employee, showing (a) his or her 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 tips. **Pub. 1244**, Employee's Daily Record of Tips and Report to Employer, a booklet for daily entry of tips and forms to report tips to employers, may be obtained from the IRS.

Tips are considered to be paid at the time the employee reports them to you. You must collect both income tax and employee railroad retirement tax on tips reported to you from the employee's compensation (after deduction of employee railroad retirement and income tax) or from other funds the employee makes available. Apply the compensation or other funds first to the railroad retirement tax and then to income tax. You do not have to pay the employer railroad retirement taxes on tips.

Stop collecting the 6.2% Tier I employee tax when the **employee's** wages and tips reach the maximum for the year (\$84,900 for 2002). However, **your** liability for Tier I employer tax on compensation continues until the compensation, not including tips, totals \$84,900 for the year.

If, by the 10th of the month after the month you received an employee's tip income report, you do not have enough employee funds available to deduct the employee tax, you no longer have to collect it. See section 6 in Circular E (Pub. 15).

### Depositing Taxes

For Tier I and Tier II taxes, you are either a monthly schedule depositor or a semiweekly schedule depositor. There are also two special rules explained on page 3—the **\$2,500 rule** and the **\$100,000 next-day deposit rule**. The terms "monthly schedule depositor" and "semiweekly schedule depositor" do not refer to how often your business pays its employees, or to how often you are required to make deposits. The terms identify which set of rules you must follow when a tax liability arises (e.g., when you have a payday).

Before each year begins, you must determine which deposit schedule to follow. Your deposit schedule for the year is determined from the total Form CT-1 taxes reported in the lookback period.

**Lookback period.** Which deposit schedule you must follow for depositing Tier I and Tier II taxes for a calendar year 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 2003 is calendar year 2001.

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

IF you reported taxes for the lookback period of...	THEN you are a...
\$50,000 or less	Monthly schedule depositor
More than \$50,000	Semiweekly schedule depositor

**New employer.** If you are a new employer, your taxes for the lookback period are considered to be zero for the first calendar year of your business. Therefore, you are a monthly schedule depositor for the first year of your business.

**Example.** Employer A reported Form CT-1 taxes as follows:

- 2001 Form CT-1—\$49,000
- 2002 Form CT-1—\$52,000

Employer A is a monthly schedule depositor for 2003 because its Form CT-1 taxes for its lookback period (calendar year 2001) were not more than \$50,000. However, for 2004, Employer A is a semiweekly schedule depositor because A's taxes exceeded \$50,000 for its lookback period (calendar year 2002).

**Adjustments and the lookback rule.** To determine your Form CT-1 taxes for the lookback period, use only the Form CT-1 taxes you reported on your **original return**. If you made adjustments to correct errors on previously filed Forms CT-1, these adjustments do not affect the amount of the Form CT-1 taxes for purposes of the lookback rule. If you report adjustments on your current Form CT-1 to correct errors on prior year returns, include these adjustments as part of your Form CT-1 taxes for the current year. If you filed **Form 843**, Claim for Refund and Request for Abatement, to claim a refund

for a prior year overpayment, your Form CT-1 taxes do not change for either the prior year or the current year for purposes of the lookback rule.

**Example of adjustments and the lookback rule.**

Employer B originally reported Form CT-1 taxes of \$45,000 for the lookback period (2001). B discovered in March 2003 that the tax during the lookback period was understated by \$10,000 and will correct this error with an adjustment on the 2003 Form CT-1.

B is a monthly schedule depositor for 2003 because the lookback period Form CT-1 taxes are based on the amount originally reported, which was not more than \$50,000. The \$10,000 adjustment is treated as part of the 2003 Form CT-1 taxes.

**When to deposit.** If you are a **monthly schedule depositor**, deposit employer and employee Tier I and Tier II taxes accumulated during a calendar month by the 15th day of the following month.

**Example of a monthly schedule depositor.** Employer C is a monthly schedule depositor with seasonal employees. C paid wages each Friday during February but did not pay any wages during March. Under the monthly schedule deposit rule, C must deposit the combined taxes for the February paydays by March 15. C does not have a deposit requirement for March (due by April 15) because no wages were paid and, therefore, C does not have a tax liability for the month.

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

Deposit Tier I and Tier II 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



*The last day of the calendar year ends the semiweekly deposit period and begins a new one. See **Semiweekly Deposit Schedule** in section 11 of Circular E (Pub. 15).*

**Example of a semiweekly schedule depositor.** Employer D, a semiweekly schedule depositor, pays wages on the last Saturday of each month. Although D is a semiweekly schedule depositor, D will deposit just once a month because D pays wages only once a month. The deposit, however, will be made under the semiweekly deposit schedule as follows: D's taxes for the January 25, 2003 (Saturday) payday must be deposited by January 31, 2003 (Friday). Under the semiweekly deposit rule, taxes arising on Saturday through Tuesday must be deposited by the following Friday.

**Deposits on banking days only.** If a deposit is required to be made on a day that is a nonbanking day, it is considered timely if it is made by the close of the next banking day. In addition to Federal and state bank holidays, Saturdays and Sundays are treated as nonbanking days. For example, if a deposit is required to be made on Friday and Friday is a nonbanking day, the deposit will be considered timely if it is made by the following Monday (if Monday is a banking day).

Semiweekly schedule depositors will always have at least 3 banking days to make a deposit. If any of the 3 weekdays after the end of a semiweekly period is a nonbanking day, 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 nonbanking day, the deposit normally due on Wednesday may be made on Thursday (allowing 3 banking days to make the deposit).

**Exceptions to the deposit rules.** Two exceptions apply to the above deposit rules, the

- \$2,500 rule and
- \$100,000 next-day deposit rule.

**\$2,500 rule.** If your total Form CT-1 taxes 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 are unsure that you will accumulate less than \$2,500, deposit under the appropriate deposit rules so that you will not be subject to deposit penalties.

**\$100,000 next-day deposit rule.** If you accumulate taxes of \$100,000 or more on any day during a deposit period, you must deposit the taxes by the next banking day **regardless** of whether you are a monthly or semiweekly schedule depositor.

If you are a **monthly schedule depositor**, and you accumulate \$100,000 on any one day during the month, you **become a semiweekly schedule depositor** for the remainder of the calendar year **and** for the following year.

Once a **semiweekly schedule depositor** accumulates \$100,000 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 example explains this rule.

**Example of \$100,000 next-day deposit rule.** Employer E is a semiweekly schedule depositor. On Monday, E accumulates taxes of \$110,000 and must deposit this amount by Tuesday, the next banking day. On Tuesday, E accumulates additional taxes of \$30,000. Because the \$30,000 is not added to the previous \$110,000, E 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.** Employer F started its business on January 31, 2003. Because this was the first year of its business, its Form CT-1 taxes for its lookback period are considered to be zero, and F is a monthly schedule depositor. On February 6, F paid compensation for the first time and accumulated taxes of \$40,000. On February 13, F paid compensation and accumulated taxes of \$60,000, bringing its total accumulated (undeposited) taxes to \$100,000. Because F accumulated \$100,000 on February 13 (Thursday), F must deposit the \$100,000 by February 14 (Friday), the next banking day. F became a semiweekly schedule depositor on February 14. F will be a semiweekly schedule depositor for the rest of 2003 and for 2004.

**Example of when \$100,000 next-day deposit rule does not apply.** Employer G, 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 does **not** apply. Thus, G must deposit \$95,000 by Friday and \$10,000 by the following Wednesday.

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

1. Any deposit shortfall does not exceed the greater of \$100 or 2% of the amount of taxes otherwise required to be deposited **and**
2. The deposit shortfall is paid or deposited by the shortfall makeup date 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 that comes on or after the 15th of the month following the month in which the shortfall occurred or the due date of Form CT-1. For example, if a semiweekly schedule depositor has a deposit shortfall during January 2003, the shortfall makeup date is February 19, 2003 (Wednesday).

**How to make deposits.** In general, you must deposit railroad retirement taxes with an authorized financial institution. If you are not making electronic deposits (explained below), use **Form 8109**, Federal Tax Deposit Coupon, with each deposit to

indicate the type of tax deposited. To avoid a possible penalty, do not mail your deposit directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

**Electronic deposit requirement.** You must make electronic deposits of **all** depository taxes (such as employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) or RRBLINK in 2003 if:

- The total of deposits of such taxes in 2001 were more than \$200,000 or
- You were required to use EFTPS/RRBLINK in 2002.

If you are required to use EFTPS/RRBLINK and use Form 8109 instead, you may be subject to a 10% penalty. If you are not required to use EFTPS/RRBLINK, you may participate voluntarily. To enroll in or get more information about EFTPS, call 1-800-555-4477 or 1-800-945-8400, or visit the EFTPS Web Site at [www.eftps.gov](http://www.eftps.gov). To enroll in or get more information about RRBLINK, call 1-888-273-2265.

**Depositing on time.** For deposits made by EFTPS/RRBLINK to be on time, you must initiate the transaction at least one business day before the date the deposit is due.

## 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, or late deposits unless reasonable cause is shown. If you are unavoidably late in doing any of these, send an explanation with Form CT-1. Interest is charged on taxes paid late at the rate set by law. See Circular E (Pub. 15) for more information.

**Order in which deposits are applied.** Generally, for deposit periods beginning after December 31, 2001, tax deposits are applied first to the most recently ended deposit period(s) within the specified tax period to which the deposit relates. This application of deposits to the most recently ended deposit period will, in some cases, prevent the cascading of penalties where a depositor fails to make a deposit or makes a late deposit. However, to further minimize a failure to deposit penalty, you may designate the period to which a deposit applies if you receive a penalty notice. You must respond **within 90 days** of the date of the notice. Follow the instructions on the notice you receive. See Rev. Proc. 2001-58, 2001-50 I.R.B. 579, for more information.

**Trust fund recovery penalty.** If taxes that must be withheld are not withheld or are not deposited or paid to the United States Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid taxes. This penalty may apply to you if these unpaid taxes cannot 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, and paying over these taxes, and who acted **wilfully** in not doing so. See Circular E (Pub. 15) for more information.

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## Specific Instructions

**Final return.** If you stop paying taxable compensation and will not 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 the form under "2002."

### Line 1. Tier I Employer Tax

Enter the compensation (other than tips and sick pay) subject to Tier I tax. Do not show more than \$84,900 per employee. Multiply by 6.2% and enter the result.

### Line 2. Tier I Employer Medicare Tax

Enter the compensation (other than tips and sick pay) subject to Tier I Medicare tax. Multiply by 1.45% and enter the result.

### Line 3. Tier II Employer Tax

Enter the compensation (other than tips) subject to Tier II tax. Do not show more than \$63,000 per employee. Multiply by 15.6% and enter the result.

### Line 4. Tier I Employee Tax

Enter the compensation, including tips reported, subject to employee Tier I tax. Do not enter more than \$84,900 per employee. Multiply by 6.2% and enter the result.

Stop collecting the 6.2% Tier I **employee** tax when the employee's wages **and tips** reach the maximum for the year (\$84,900 for 2002). However, your liability for Tier I **employer** tax on compensation continues until the compensation, **not including tips**, totals \$84,900 for the year.

### Line 5. Tier I Employee Medicare Tax

Enter the compensation, including tips reported, subject to employee Tier I Medicare tax. Multiply by 1.45% and enter the result. For information on reporting tips, see **Tips** on page 2.

### Line 6. Tier II Employee Tax

Enter the compensation, including tips reported, subject to Tier II employee tax. Only the first \$63,000 of the employee's compensation for 2002 is subject to this tax. Multiply by 4.9% and enter the result. For information on reporting tips, see **Tips** on page 2.



*Any compensation paid during the current year that was earned in prior years (reported to the Railroad Retirement Board on **Form BA-4**, Report of Creditable Compensation Adjustments) is taxable at the current year tax rates. Include such compensation with current year compensation on lines 1 through 6, as appropriate.*

### Lines 7 Through 10. Tier I Taxes on Sick Pay

Enter any sick pay payments during the year that are subject to Tier I taxes and Tier I Medicare taxes. If you are a railroad employer paying your employees sick pay, or a third-party payer who did not notify the employer of the payments (thereby subject to the employee and employer tax), make entries on lines 7 through 10. If you are subject to only the employer or employee tax, complete only the applicable lines. Multiply by the appropriate rates and enter the results.

### Line 12. Adjustments to Taxes Based on Compensation

**Use line 12 to show:**

- Corrections of underpayments or overpayments of taxes reported on prior year returns,
- Credits for overpayments of penalty or interest paid on tax for earlier years,
- A fractions of cents adjustment (see **Fractions of cents** on page 5), and
- For 2002 only, the total monthly adjustment of employee supplemental annuities under section 2(h)(2) of the Railroad Retirement Act of 1974 (see **Adjustments to supplemental annuity work-hour tax** on page 5).
- For 2002 only, adjustments to the special supplemental annuity tax reported on **Form(s) G-241**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Annuity Tax Liabilities (see **Adjustments to special supplemental annuity tax** on page 5).



*You cannot make an adjustment for any excess supplemental annuity work-hour tax credit that was carried forward from your 2001 Form CT-1 if the adjustment on line 3 exceeded the tax on line 1 in 2001.*

Do not include the 2001 overpayment that is applied to this year's return (this is included on line 14). If you are reporting both an addition and a subtraction, enter only the difference between the two on line 12. Enter:

1. Adjustments for sick pay and fractions of cents in their entry spaces,
2. The amount of all other adjustments, including adjustments to the supplemental annuity work-hour tax and the special supplemental annuity tax, in the "Other" entry space, and

3. The total of the three types of adjustments in the line 12 entry space to the right.

**Explanation of line 12 adjustments.** Except for adjustments for fractions of cents, the supplemental annuity work-hour tax, and the special supplemental annuity tax, explain amounts entered on line 12 in a separate statement. Attach a full sheet of paper that shows at the top your name, employer identification number, calendar year of the return, and "Form CT-1." Include in the statement the following information:

- An explanation of the item the adjustment is intended to correct showing the compensation subject to Tier I and Tier II taxes and the respective tax rates.
- The year(s) to which the adjustment relates.
- The amount of the adjustment for each year.
- 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.



*A timely filed return is considered to be filed on the last day of February of the year after the close of the tax year. Generally, adjustments for prior year returns may be made only within 3 years of that date.*

**Fractions of cents.** If there is a difference between the total employee tax on lines 4, 5, 6, 9, and 10 and the total actually deducted from your employees' compensation (including tips) plus the employer's contribution due to fractions of cents added or dropped in collecting the tax, report this difference on line 12 as a deduction or an addition. If this is the only entry on line 12, **do not** attach a statement to explain the adjustment.

**Adjustments to supplemental annuity work-hour tax.** You may take an adjustment on line 12 in 2002 for the total monthly adjustment of employee supplemental annuities under section 2(h)(2) of the Railroad Retirement Act of 1974. The Railroad Retirement Board will furnish you with **Form G-245**, Summary Statement of Quarterly Report of Railroad Retirement Supplemental Tax Credits, showing your supplemental annuity work-hour tax credit. For 2002, Form G-245 will show adjustments for months prior to January 2002. Total the amounts shown on Form(s) G-245 and enter the total on line 12. Attach a copy of each Form G-245 to Form CT-1.



*The supplemental annuity work-hour tax credit cannot exceed the supplemental annuity work-hour tax imposed for the year giving rise to the credit (as shown on Form G-245) and for any subsequent years.*

**Adjustments to special supplemental annuity tax.** You may take an adjustment on line 12 in 2002 for any adjustments shown on Form G-241. These adjustments relate to amounts reported in quarters prior to 2002. Total the amounts shown on Form(s) G-241 and enter the total on line 12. Attach a copy of each Form G-241 to Form CT-1.

## Line 13. Total Railroad Retirement Taxes Based on Compensation

If the net adjustment on line 12 is:

- A decrease, subtract line 12 from line 11.
- An increase, add line 12 to line 11.

## Line 14. Total Deposits for the Year

Enter the total Form CT-1 taxes you deposited. Also include any overpayment applied from your 2001 return.

## Line 15. Balance Due

Subtract line 14 from line 13. You should have a balance due only if line 13 is less than \$2,500, unless the balance due is a shortfall amount for monthly schedule depositors as explained under the **Accuracy of deposits rule** on page 3.

Enter on your check or money order your employer identification number, "Form CT-1," and "2002." Pay to the "United States Treasury." You do not have to pay if line 15 is less than \$1.

## Line 16. Overpayment

If you deposited more than the correct amount of taxes for the year, check the first box if you want the overpayment applied to your 2003 Form CT-1. Check the second box if you want the overpayment refunded. If line 16 is less than \$1, we will send you a refund or apply it to your next return only on written request.

## Third Party Designee

If you want to allow an employee of your business or an individual paid preparer to discuss your 2002 Form CT-1 with the IRS, check the "Yes" box in the **Third Party Designee** section of the return. Also, enter the designee's name, phone number, and any five digits that person chooses as his or her personal identification number (PIN). The designation must specify an individual and may not refer to your payroll office or a tax preparation firm.

By checking the "Yes" box, you are authorizing the IRS to call the designee to answer any questions that may arise during the processing of your return. You are also authorizing the designee to:

- Give the IRS any information that is missing from your return,
- Call the IRS for information about the processing of your return or the status of your refund or payment(s), and
- Respond to certain IRS notices that you have shared with the designee about math errors and return preparation. The notices will not be sent to the designee.

You are 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 authorization, see **Pub. 947**, Practice Before the IRS and Power of Attorney.

The authorization cannot be revoked. However, the authorization will automatically expire on the due date for filing your 2003 Form CT-1.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and 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 or 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.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping**, Part I, 9 hr., 34 min.; Part II, 4 hr., 4 min.;  
**Learning about the law or the form**, Part I, 2 hr., 1 min.;  
**Preparing, copying, assembling, and sending the form to the IRS**, Part I, 4 hr., 39 min.; Part II, 4 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send the tax form to this address. Instead, see **Where To File** on page 1.

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