

Instructions for Form CT-1 X Department of the Treasury Internal Revenue Service

(January 2009)

Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund

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

What's New?

New form. The Internal Revenue Service (IRS) has developed Form CT-1 X, Adjusted Employer's Annual Railroad Retirement Tax Return or Claim for Refund, to correct previously filed Forms CT-1. **Do not** attach Form CT-1 X to Form CT-1; file Form CT-1 X separately.

Form CT-1 X will replace Form 843, Claim for Refund or Request for Abatement, for employers to request a refund or abatement of overreported Railroad Retirement Tax Act (RRTA) taxes. Continue to use Form 843 when requesting a refund or abatement of assessed interest or penalties.

Form CT-1 X will enable the IRS to make corrections to RRTA taxes more accurately and efficiently. Please read both the form and these instructions carefully to become familiar with the many changes.

Background. Treasury Decision 9405 changed the process for making interest-free adjustments to RRTA taxes reported on Form CT-1, Employer's Annual Railroad Retirement Tax Return, and for filing a claim for refund of RRTA taxes. Treasury Decision 9405, 2008-32 I.R.B. 293, is available at www.irs.gov/irb/2008-32_irb/ar13.html. You will use the revised adjustment process if you underreported RRTA taxes and are making a payment, or if you overreported RRTA taxes and will be applying the credit to the Form CT-1 year during which you file Form CT-1 X. (However, see the CAUTION on page 2.) You will use the revised claim process if you overreported RRTA taxes and are requesting a refund or abatement of the overreported amount.

We use the terms "correct" and "corrections" on Form CT-1 X and in these instructions to include interest-free adjustments under sections 6205 and 6413 and claims for refund and abatement under sections 6402 and 6404.

If you have comments or suggestions for improving Form CT-1 X or these instructions, we would be happy to hear from you. Write to the address shown in the *Paperwork Reduction Act Notice* on Form CT-1.

New process for correcting RRTA taxes. After December 31, 2008, when you discover an error on a previously filed Form CT-1, you **must**:

- Correct that error using Form CT-1 X,
- File a separate Form CT-1 X for each Form CT-1 that you are correcting, and
- File Form CT-1 X separately. **Do not** file Form CT-1 X with Form CT-1.

Beginning in 2009, you will no longer be able to correct prior year errors using line 12 on Form CT-1. However, continue using line 12 on Form CT-1 to report current year adjustments for fractions of cents, sick pay, and credits for overpayments of penalty or interest paid on tax for earlier years.

Report the correction of underreported and overreported amounts for the same year on a single Form CT-1 X, unless you are requesting a refund or abatement. If you are requesting a refund or abatement and are correcting both underreported and overreported amounts, file one Form CT-1 X correcting the underreported amounts only and a second Form CT-1 X correcting the overreported amounts.

Follow the chart on the back of Form CT-1 X for help in choosing whether to use the adjustment process or the claim process.



Do not use Form CT-1 X to correct Forms 941, 943, 944, or Form 945. Instead, use the "X" form that corresponds to the return you are correcting (Form 941-X, 943-X, 944-X, or Form 945-X).

General Instructions: Understanding Form CT-1 X

What Is the Purpose of Form CT-1 X?

Use Form CT-1 X to correct errors on a Form CT-1 that you previously filed. Use Form CT-1 X to correct:

- Tier I Employee tax, Tier I Employee Medicare tax, Tier II Employee tax; and
- Tier I Employer tax, Tier I Employer Medicare tax, Tier II Employer tax.

If you did not file a Form CT-1 for one or more years, **do not** use Form CT-1 X. Instead, file Form CT-1 for each of those years. See also *When Should You File Form CT-1 X?* below.

However, if you did not file Forms CT-1 because you improperly treated workers as independent contractors or nonemployees and are now reclassifying them as employees, see the instructions for line 19 on page 7.

You have additional requirements to complete when filing Form CT-1 X, such as certifying that you filed (or will file) all applicable Forms W-2 and Forms W-2c. For corrections of overreported Tier I and Tier II taxes, you must make any certifications that apply to your situation.

Be sure to give us a detailed explanation on line 20 for each correction that you show on Form CT-1 X.

Where Can You Get Help?

For help filing Form CT-1 X or for questions about RRTA taxes and tax corrections, you can:

- Call the IRS toll-free at 1-800-829-4933 (TTY/TDD for the hearing impaired at 1-800-829-4059),
- Visit the IRS website at www.irs.gov/businesses and type "Correcting Employment Taxes," in the search box, or
- Get Pub. 15 (Circular E), Employer's Tax Guide.

See also *How Can You Order Forms and Publications from the IRS?* on page 8.

When Should You File Form CT-1 X?

File Form CT-1 X when you discover an error on a previously filed Form CT-1.

However, if your only errors on Form CT-1 relate to RRTA tax liabilities reported in Part II of Form CT-1 or on Form 945-A, Annual Record of Federal Tax Liability, do not file Form CT-1 X. For more information about correcting RRTA tax liabilities reported in Part II of Form CT-1 or on Form 945-A, see the instructions for Form 945-A.

Due dates. The due date for filing Form CT-1 X to qualify for interest-free adjustments for underpayments and overpayments depends on when you discover an error and if you underreported or overreported tax. If you underreported tax, see *Underreported tax* on page 2. For overreported amounts, you may choose to either make an interest-free adjustment or file a claim for refund or abatement. If you are correcting overreported amounts, see *Overreported tax—credit* or

Overreported tax—claim below. If any due date falls on a Saturday, Sunday, or legal holiday, you may file Form CT-1 X on the next business day. If we receive Form CT-1 X after the due date, we will treat Form CT-1 X as filed on time if the envelope containing Form CT-1 X is properly addressed, contains sufficient postage, and is postmarked by the U.S. Postal Service on or before the due date, or sent by an IRS-designated private delivery service on or before the due date. If you do not follow these guidelines, we will consider Form CT-1 X filed when it is actually received. See Pub. 15 (Circular E) for more information on IRS-designated private delivery services.

Underreported tax. If you are correcting underreported tax, you must file Form CT-1 X by the due date of the return for the return period in which you discovered the error and **pay** the amount you owe when you file. Filing and paying on time will generally ensure that your correction is interest free and not subject to failure-to-pay or failure-to-deposit penalties. See *What About Penalties and Interest?* on page 3.

Example—You owe tax: On March 11, 2010, you discover that you underreported \$1,000 of RRTA compensation on your 2008 Form CT-1. File Form CT-1 X and pay the amount you owe by February 28, 2011, because you discovered the error in 2010, and February 28, 2011, is the due date for that year. If you file Form CT-1 X before February 28, 2011, pay the amount you owe when you file.

Overreported tax—credit. If you overreported tax and choose to apply the credit to Form CT-1, file Form CT-1 X soon after you discovered the error but more than 90 days before the period of limitations on credit or refund for Form CT-1 expires. See *Is There a Deadline for Filing Form CT-1 X?* below.

Example—You want your credit applied to Form CT-1: You filed and paid your 2008 Form CT-1 on February 27, 2009. On May 1, 2009, you discover that you overreported tax on your 2008 Form CT-1. You file Form CT-1 X on June 1, 2009. The IRS treats your credit as a tax deposit made on January 1, 2009. When you file your 2009 Form CT-1, include the amount from line 17 of Form CT-1 X on line 14 (“Total railroad retirement tax deposits”) of your 2009 Form CT-1.

Overreported tax—claim. If you overreported tax, you may choose to file a claim for refund or abatement on Form CT-1 X any time before the period of limitations on credit or refund expires. (If you need to correct **any** underreported amounts, you must file another Form CT-1 X reporting only corrections to the underreported amounts.) See *Is There a Deadline for Filing Form CT-1 X?* below.

TIP *If you discovered an error on or before December 31, 2008, but did not report it as a line adjustment on Form CT-1 for any year ended before 2009 and did not file a claim (Form 843), you may use Form CT-1 X to correct the error. File Form CT-1 X for the year in which you made the error.*

Is There a Deadline for Filing Form CT-1 X?

Generally, you may correct overreported taxes on a previously filed Form CT-1 if you file Form CT-1 X within 3 years of the date Form CT-1 was filed or 2 years from the date you paid the tax reported on Form CT-1, whichever is later. You may correct underreported taxes on a previously filed Form CT-1 if you file Form CT-1 X within 3 years of the date the Form CT-1 was filed. We call each of these time frames a “period of limitations.” For purposes of the period of limitations, Form CT-1 is considered filed on the last day in February of the succeeding year if filed before that date.

Example: You filed your 2007 Form CT-1 on January 28, 2008, and payments were timely made. (The IRS treats the return as if it were filed on February 29, 2008.) On January 20, 2011, you discover that you overreported RRTA compensation on that form by \$10,000. To correct the error you must file Form

CT-1 X by February 28, 2011, which is the end of the period of limitations, and use the claim process.



If you file Form CT-1 X to correct overreported amounts in the last 90 days of a period of limitations (after November 30, 2010, in the example above), you must use the claim process. You cannot use the adjustment process. If you are also correcting underreported amounts, you must use the adjustment process to file another Form CT-1 X to correct the underreported amounts only and pay any tax due.

Where Should You File Form CT-1 X?

Send your completed Form CT-1 X to:

Department of the Treasury
Internal Revenue Service Center
Cincinnati, OH 45999-0007

How Should You Complete Form CT-1 X?

Use One Form CT-1 X for Each Year You Are Correcting.

Use a separate Form CT-1 X for each Form CT-1 that you are correcting. For example, if you found errors on your Forms CT-1 for 2007 and 2008, file one Form CT-1 X to correct the 2007 Form CT-1. File a second Form CT-1 X to correct the 2008 Form CT-1.

EIN, Name, and Address

Enter your EIN, name, and address in the spaces provided. Also enter your name and EIN on the top of pages 2 and 3, and on any attachments. If your address has changed since you filed your Form CT-1, enter the corrected information and the IRS will update your address of record.

Return You Are Correcting

Enter the calendar year of the Form CT-1 you are correcting at the top of page 1. Enter the calendar year on pages 2 and 3, and on any attachments.

Enter the Date You Discovered Errors

You **must** enter the date you discovered errors. If you are reporting several errors that you discovered at different times, enter the earliest date you discovered them here. On line 20 report any subsequent dates and related errors.

Must You Make an Entry on Each Line?

You must provide all of the information requested at the top of page 1 of Form CT-1 X. You must check one box (but not both) in Part 1. You must check the box on line 3 and any boxes that apply on lines 4 and 5. In Part 3, if any line does not apply, leave it blank. Complete Parts 4 and 5 as instructed.

How Should You Report Negative Amounts?

Form CT-1 X uses negative numbers to show reductions in tax (credits) and positive numbers to show additional tax (amounts you owe).

When reporting a negative amount in columns 3 and 4, use a minus sign instead of parentheses. For example, enter “-10.59” instead of “(10.59).” However, if you are completing the return on your computer and your software only allows you to use parentheses to report negative amounts, you may use them.

How Should You Make Entries on Form CT-1 X?

You can help the IRS process Form CT-1 X timely and accurately if you follow these guidelines.

- Type or print your entries.
- Use Courier font (if possible) for all typed or computer-generated entries.
- Omit dollar signs. You may use commas and decimal points, if desired. Enter dollar amounts to the left of any preprinted decimal point and cents to the right of it.

- Always show an amount for cents. Do not round entries to whole dollars.
- Complete all three pages and sign Form CT-1 X on page 3.
- Staple multiple sheets in the upper-left corner.

What About Penalties and Interest?

Generally, your correction of an underreported amount will not be subject to a failure-to-pay penalty, failure-to-deposit penalty, or interest if you:

- File on time (by the due date of the year in which you discover the error),
- Pay the amount shown on line 17 **when you file** Form CT-1 X,
- Enter the date you discovered the error, and
- Explain in detail the grounds and facts relied on to support the correction.

No correction will be eligible for interest-free treatment if (a) the amounts underreported relate to an issue that was raised in an examination of a prior period, (b) you knowingly underreported your employment tax liability, (c) you received a notice and demand for payment after assessment, or (d) you received a Notice of Determination of Worker Classification.

Overview of the New Process

The new process for adjusting Form CT-1 or filing a claim is outlined below.

If you underreported the tax. If you underreported the tax on a previously filed Form CT-1, check the box on line 1 and **pay** any additional amount you owe when you file Form CT-1 X. For details on how to make a payment, see the instructions for line 17 on page 7.

Example— You underreported RRTA taxes: On June 21, 2010, you discover an error that results in additional tax on your 2008 Form CT-1. File Form CT-1 X by February 28, 2011, and pay the amount you owe when you file. See *When Should You File Form CT-1 X?* on page 1. **Do not** attach Form CT-1 X to your 2010 Form CT-1.

If you overreported the tax. If you overreported the tax on a previously filed Form CT-1, you may **choose** to:

- *Use the adjustment process.* Check the box on line 1 to apply any credit (negative amount) from line 17 to Form CT-1 for the year during which you file Form CT-1 X, or
- *Use the claim process.* Check the box on line 2 to file a claim on Form CT-1 X requesting a refund or abatement of the amount shown on line 17.

TIP To ensure that the IRS has enough time to process a credit for an **overreporting adjustment** in the year during which you file Form CT-1 X, you are encouraged to file Form CT-1 X correcting the overreported amount in the first eleven months of a year. For example, if you discover an overreported amount in December, you may want to file Form CT-1 X in the first eleven months of the next year. This should ensure that the IRS will have enough time to process the Form CT-1 X so that the credit will be posted before you file Form CT-1, thus avoiding an erroneous balance due notice from the IRS. See the example below.

Example— You want your overreported tax applied as a credit to Form CT-1: On December 22, 2009, you discover you overreported your tax on your 2008 Form CT-1 and want to choose the adjustment process. To allow the IRS enough time to process the credit, you file Form CT-1 X on February 5, 2010.

Specific Instructions:

Part 1: Select ONLY one process.

Because Form CT-1 X may be used to file either an adjusted railroad retirement tax return or a claim for refund or abatement,

you **must** check one box in either line 1 or line 2. Do not check both boxes.

1. Adjusted Railroad Retirement Tax Return

Check the box on line 1 if you are correcting underreported amounts or overreported amounts and you would like to use the adjustment process to correct the errors.

If you are correcting both underreported amounts and overreported amounts on this form, you **must** check this box. If you check this box, any negative amount shown on line 17 will be applied as a credit (tax deposit) to your Form CT-1 for the year in which you are filing this form. See *Example— You want your overreported tax applied as a credit to Form CT-1* above.

If you owe tax. Pay the amount shown on line 17 when you file Form CT-1 X. Generally, you will not be charged interest if you file on time, pay on time, enter the date you discovered the error, and explain the correction on line 20.

If you have a credit. You overreported RRTA taxes (you have a negative amount on line 17) and want the IRS to apply the credit to Form CT-1 for the period during which you filed Form CT-1 X. The IRS will apply your credit on the first day of the Form CT-1 year during which you filed Form CT-1 X. However, the credit you show on line 17 of Form CT-1 X may not be fully available on your Form CT-1 if the IRS corrects it during processing or you owe other taxes, penalties, or interest. The IRS will notify you if your claimed credit changes or if the amount available as a credit was reduced because of unpaid taxes, penalties, or interest.



Do not check the box on line 1 if you are correcting overreported amounts and the period of limitations on credit or refund for Form CT-1 will expire within 90 days of the date you file Form CT-1 X. Instead, check the box on line 2. See Is There a Deadline for Filing Form CT-1 X? on page 2.

2. Claim

Check the box on line 2 to use the claim process if you are correcting **overreported amounts only** and you are claiming a refund or abatement for the negative amount (credit) shown on line 17. Do not check this box if you are correcting ANY underreported amounts on this form.

You must check the box on line 2 if you have a credit and the period of limitations on credit or refund for Form CT-1 will expire within 90 days of the date you file Form CT-1 X. See *Is There a Deadline for Filing Form CT-1 X?* on page 2.

The IRS usually processes claims shortly after they are filed. The IRS will notify you if your claim is denied, accepted as filed, or selected to be examined. See Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund, for more information.

Unless the IRS corrects Form CT-1 X during processing or you owe other taxes, penalties, or interest, the IRS will refund the amount shown on line 17, plus any interest that applies.

Part 2: Complete the Certifications.

You must complete all certifications that apply by checking the appropriate boxes. If all of your corrections relate to underreported amounts, complete line 3 only; skip lines 4 and 5 and go to Part 3. If your corrections relate to overreported amounts, you have a duty to assure that your employees' rights to recover overpaid Employee RRTA taxes that you withheld are protected. The certifications on lines 4 and 5 address the requirement to (a) repay or reimburse your employees for the overcollection of Employee RRTA taxes or (b) obtain consents from your employees to file a claim on their behalf. For purposes of these certifications, Employee RRTA taxes consist of Tier I Employee tax, Tier I Employee Medicare tax, and Tier II Employee tax. Employer RRTA taxes consist of Tier I Employer tax, Tier I Employer Medicare tax, and Tier II Employer tax.

3. Filing Forms W-2 or Forms W-2c

Check the box on line 3 to certify that you filed or will file Forms W-2 or Forms W-2c, as required, showing your employees' correct wage and tax amounts. See the Instructions for Forms W-2 and W-3 and the Instructions for Forms W-2c and W-3c for detailed information about filing requirements.

You must check the box on line 3 to certify that you filed Forms W-2 or Forms W-2c even if your corrections on Form CT-1 X do not change amounts shown on those forms. For example, if your only correction to Form CT-1 involves misstated tax adjustments (see the instructions for line 16), check the box on line 3 to certify that you already filed all required Forms W-2 and W-2c.

4. Certifying Overreporting Adjustments

If you overreported RRTA tax and checked the box on line 1, check the appropriate box on line 4. You may need to check more than one box. If you obtained written statements from some employees but you could not locate or secure the cooperation of the remaining employees, check all applicable boxes. Provide a summary in line 20 of the amount of the corrections for both the employees who provided written statements and for those who did not.

4a. Check the box on line 4a if your overreported amount includes each affected employee's share of overcollected Employee RRTA taxes. You are certifying that you repaid or reimbursed the prior year Employee RRTA taxes and you received written statements from the employees stating that they did not and will not receive a refund or credit for the prior year taxes.

Example. The following is an example of the written statement that is required from employees.

Employee name _____
Employer name _____
I have received a repayment of \$ _____ as overcollected RRTA taxes for 20____. I have not claimed a refund of or credit for the overcollected taxes from the IRS, or if I did, that claim has been rejected; and I will not claim a refund or a credit of the amount.
Employee signature _____
Date _____

Do not send these statements to the IRS. Keep them for your records.

4b. Check the box on line 4b to certify that your overreported amount is only for Employer RRTA taxes on those employees who you were unable to find or those who would not (or could not) give you a statement described on line 4a.

4c. Check the box on line 4c to certify that your overreported amount is only for Employer RRTA taxes or Employee RRTA taxes that you did not withhold from your employees.

5. Certifying Claims

If you are filing a claim for refund or abatement of overreported RRTA tax and checked the box on line 2, check the appropriate box on line 5. You may need to check more than one box. If you obtained written statements or consents from some employees but you could not locate or secure the cooperation of the remaining employees, check all applicable boxes. Provide a summary in line 20 of the amount of the corrections for both the employees who provided statements or consents and for those who did not.

5a. Check the box on line 5a if your overreported tax includes overcollected Employee RRTA taxes for each affected employee. You are certifying that you repaid or reimbursed to the employees the prior year Employee RRTA taxes and you received written statements from those employees stating that they did not and will not receive a refund or credit for the prior year taxes.

5b. Check the box on line 5b if your overreported tax includes overcollected prior year Employee RRTA taxes for each affected employee and you have not yet repaid or reimbursed

the Employee RRTA taxes. You are certifying that you received consent from each affected employee to file a claim on the employee share of those taxes and you received written statements from those employees stating that they did not and will not receive a refund or credit for the overcollected taxes.

Example. The following is an example of the consent and written statement that is required from employees when you are filing a claim for refund and have not yet paid or reimbursed the employee share of taxes.

Employee name _____
Employer name _____
I give my consent to have my employer (named above) file a claim on my behalf with the IRS requesting \$ _____ in overcollected RRTA taxes for 20____. I have not claimed a refund of or credit for the overcollected taxes from the IRS, or if I did, that claim has been rejected; and I will not claim a refund or a credit of the amount.
Employee signature _____
Date _____

Do not send these statements to the IRS. Keep them for your records.

In certain situations, you may not have repaid or reimbursed your employees or obtained their consents prior to filing a claim, such as in cases where the period of limitations on credit or refund is about to expire. In those situations, file Form CT-1 X, but do not check a box on line 5. Tell us on line 20 that you "have not repaid or reimbursed employees or obtained consents." However, you must certify that you have repaid or reimbursed your employees or obtained consents **before** the IRS can grant the claim.

5c. Check the box on line 5c to certify that your overreported tax is only for the Employer RRTA taxes. Affected employees did not give you consent to file a claim for refund for the Employee RRTA taxes, they could not be found, or would not (or could not) give you a statement described on line 5b.

5d. Check the box on line 5d to certify that your overreported amount is only for Employer RRTA taxes or Employee RRTA taxes that you did not withhold from your employees.

Part 3: Enter the Corrections for This Year.

What Amounts Should You Report in Part 3?

In columns 1 and 2 of lines 6 through 16, show amounts for **all** of your employees, not just for those employees whose amounts you are correcting.

If a correction that you report in column 4 includes both underreported and overreported amounts (see the instructions for line 18), give us details for each error on line 20.



If you previously adjusted or amended Form CT-1 using an attached statement, Form 843, an "amended" Form CT-1, by filing a "supplemental" Form CT-1, or because of an IRS examination change, show amounts in column 2 that include those previously reported corrections.

6. Tier I Employer Tax—Compensation

If you are correcting the compensation (other than tips and sick pay) for the Tier I Employer tax you reported on line 1 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported. In column 3, enter the difference between columns 1 and 2.

line 6 (column 1)
-line 6 (column 2)
line 6 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter the result in column 4.

line 6 (column 3)
 $x \quad .062$
 line 6 (column 4)

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example — Tier I Employer compensation decreased:

You reported \$9,000 as Tier I Employer compensation in computing the tax on line 1 of your 2008 Form CT-1. In December of 2009, you discovered that you included \$2,000 in compensation for one of your employees twice. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 1 of Form CT-1)	<u>- 9,000.00</u>
Column 3 (difference)	- 2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (6.2%)	<u>x .062</u>
Column 4 (tax correction)	-124.00

Be sure to explain the reasons for this correction on line 20.

7. Tier I Employer Medicare Tax—Compensation

If you are correcting compensation (other than tips and sick pay) for the Tier I Employer Medicare tax you reported on line 2 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 7 (column 1)
~~line 7 (column 2)~~
 line 7 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 7 (column 3)
 $x \quad .0145$
 line 7 (column 4)

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier I Employer Medicare compensation decreased: Following *Example—Tier I Employer compensation decreased* in the instructions for line 6, the compensation that you counted twice was also Tier I Employer Medicare compensation. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 2 of Form CT-1)	<u>- 9,000.00</u>
Column 3 (difference)	- 2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (1.45%)	<u>x .0145</u>
Column 4 (tax correction)	- 29.00

Be sure to explain the reasons for this correction on line 20.

8. Tier II Employer Tax—Compensation

If you are correcting compensation (other than tips) for the Tier II Employer tax you reported on line 3 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 8 (column 1)
~~line 8 (column 2)~~
 line 8 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by the rate that applies to the year you are correcting and enter that result in column 4.

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier II Employer compensation decreased: Following *Example—Tier I Employer compensation decreased* in the instructions for line 6, the compensation that you counted twice was also Tier II Employer compensation. Because you are correcting your 2008 Form CT-1 in this example, use the rate from line 3 (12.1%) shown on that return. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 3 of Form CT-1)	<u>- 9,000.00</u>
Column 3 (difference)	- 2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (12.1%)	<u>x .121</u>
Column 4 (tax correction)	-242.00

Be sure to explain the reasons for this correction on line 20.

9. Tier I Employee Tax—Compensation

If you are correcting compensation, including tips reported, for the Tier I Employee tax you reported on line 4 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 9 (column 1)
~~line 9 (column 2)~~
 line 9 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and report that result in column 4.

line 9 (column 3)
 $x \quad .062$
 line 9 (column 4)

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Be sure to explain the reasons for this correction on line 20.

10. Tier I Employee Medicare Tax—Compensation

If you are correcting compensation, including tips reported, for the Tier I Employee Medicare tax you reported on line 5 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 10 (column 1)
~~line 10 (column 2)~~
 line 10 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 10 (column 3)
 $x \quad .0145$
 line 10 (column 4)

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Be sure to explain the reasons for this correction on line 20.

11. Tier II Employee Tax—Compensation

If you are correcting compensation, including tips reported, for the Tier II Employee tax you reported on line 6 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 11 (column 1)
~~line 11 (column 2)~~
 line 11 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by the rate that applies to the year you are correcting and enter that result in column 4. If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier II Employee compensation decreased: Following *Example—Tier I Employer compensation decreased* in the instructions for line 6, the compensation that you counted twice was Tier II Employee compensation. Because you are correcting your 2008 Form CT-1 in this example, use the rate for line 6 (3.9%) shown on that return. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	7,000.00
Column 2 (from line 6 of Form CT-1)	- 9,000.00
Column 3 (difference)	- 2,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	-2,000.00
Tax rate (3.9%)	x .039
Column 4 (tax correction)	-78.00

Be sure to explain the reasons for this correction on line 20.

12. Tier I Employer Tax—Sick Pay

If you are correcting sick pay for Tier I Employer tax you reported on line 7 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 12 (column 1)
~~line 12 (column 2)~~
 line 12 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 12 (column 3)	x .062
line 12 (column 4)	

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Example—Tier I Employer sick pay increased: You reported \$8,000 as Tier I Employer sick pay in computing the tax on line 7 of your 2008 Form CT-1. In December of 2009, you discovered that you overlooked \$1,000 in sick pay for one of your employees. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	9,000.00
Column 2 (from line 7 of Form CT-1)	- 8,000.00
Column 3 (difference)	1,000.00

Use the difference in column 3 to determine your tax correction.

Column 3 (difference)	1,000.00
Tax rate (6.2%)	x .062
Column 4 (tax correction)	62.00

Be sure to explain the reasons for this correction on line 20.

13. Tier I Employer Medicare Tax—Sick Pay

If you are correcting sick pay for Tier I Employer Medicare tax you reported on line 8 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 13 (column 1)
~~line 13 (column 2)~~
 line 13 (column 3)

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 13 (column 3)	x .0145
line 13 (column 4)	

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Be sure to explain the reasons for this correction on line 20.

14. Tier I Employee Tax—Sick Pay

If you are correcting sick pay for Tier I Employee tax you reported on line 9 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 14 (column 1)	-line 14 (column 2)
line 14 (column 3)	

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .062 (6.2% tax rate) and enter that result in column 4.

line 14 (column 3)	x .062
line 14 (column 4)	

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Be sure to explain the reasons for this correction on line 20.

15. Tier I Employee Medicare Tax—Sick Pay

If you are correcting sick pay for Tier I Employee Medicare tax you reported on line 10 of Form CT-1, enter the total corrected amount in column 1. In column 2, enter the amount you originally reported or as previously corrected. In column 3, enter the difference between columns 1 and 2.

line 15 (column 1)	-line 15 (column 2)
line 15 (column 3)	

If the amount in column 2 is larger than the amount in column 1, use a minus sign in column 3.

Multiply the amount in column 3 by .0145 (1.45% tax rate) and enter that result in column 4.

line 15 (column 3)	x .0145
line 15 (column 4)	

If the amount in column 3 used a minus sign, also use a minus sign in column 4.

Be sure to explain the reasons for this correction on line 20.

16. Tax Adjustments

Do not enter an amount on line 16 unless you need to **correct** any current year adjustments reported on line 12 of a previously filed Form CT-1. See *Example—Current year's sick pay underreported* on page 7.

Enter the corrected amount for tax adjustments in column 1. Enter the originally reported or previously corrected current year amount from line 12 of Form CT-1 in column 2. In column 3, enter the difference between columns 1 and 2.

line 16 (column 1)	-line 16 (column 2)
line 16 (column 3)	



You may need to report negative numbers in any column. Make sure that the difference you enter in column 3 accurately represents the change to adjustments originally reported or previously corrected on line 12 of Form CT-1.

Copy the amount in column 3 to column 4. Include any minus sign shown in column 3.

On line 20, describe what you misreported on Form CT-1. Tell us which current year adjustments have changed, that is, fractions of cents, sick pay, or credits for overpayments of penalty or interest paid on tax for earlier years.

Example—Current year's sick pay underreported: You reported \$6,900 (shown as "-6,900.00") as a sick pay adjustment (reduction to tax) on line 12 of your 2008 Form CT-1. Your sick pay adjustment should have been \$9,600 (shown as "-9,600.00"). You discovered the error in April of 2009. To correct the error, figure the difference on Form CT-1 X as shown.

Column 1 (corrected amount)	-9,600.00
Column 2 (from line 12 of Form CT-1)	- (6,900.00)
Column 3 (difference)	-2,700.00

Here is how you would enter the numbers on Form CT-1 X.

Column 1 (corrected amount)	Column 2 (from line 12, Form CT-1)	Column 3 (difference)
-9,600.00	-6,900.00	-2,700.00

Report "-2,700.00" as your correction in column 4.

In this example, you are claiming a credit for \$2,700 in overreported tax for your 2008 Form CT-1. Always enter the same amount in column 4 (including any minus sign) that you enter in column 3.

Be sure to explain the reasons for this correction on line 20.



Only use line 16 to correct adjustments for fractions of cents, sick pay, or credits for overpayments of penalty or interest previously reported. File a separate Form CT-1 X for each year being corrected.

17. Total

Combine the amounts on lines 6 through 16 of column 4.

Example: You entered "-500.00" in column 4 of line 6, "-100.00" in column 4 of line 7, and "1,400.00" in column 4 of line 16. Combine these amounts and enter "800.00" in column 4 of line 17.

Line 6	-500.00
Line 7	-100.00
Line 16	+1,400.00
Line 17	800.00

Your credit. If the amount entered on line 17 is less than zero, for example, "-115.00," you have a credit because you overreported your RRTA taxes.

- If you checked the box on line 1, **include** this amount on line 14 ("Total railroad retirement tax deposits") of Form CT-1 for the year during which you filed Form CT-1 X. Do not make any changes to your Record of Railroad Retirement Tax Liability in Part II of Form CT-1 or on Form 945-A. The amounts reported on the record should reflect your actual tax liability for the period.
- If you checked the box on line 2, you are filing a claim for refund or abatement of the amount shown.

If your credit is less than \$1, we will send a refund or apply it only if you ask us in writing to do so.

Amount you owe. You must pay the amount you owe when you file Form CT-1 X. You may not use any credit that you show on another Form CT-1 X to pay the amount you owe, even if you filed for the amount you owe and the credit at the same time. You may pay the amount you owe on line 17 electronically using the Electronic Federal Tax Payment System (EFTPS), or by a check or money order.

- The preferred method of payment is EFTPS. For more information, visit www.eftps.gov, call EFTPS Customer Service at 1-800-555-4477 toll free, or get Pub. 966, The Secure Way to Pay Your Federal Taxes.
- If you pay by check or money order, make it payable to "United States Treasury." On your check or money order, be sure to write your EIN, "Form CT-1 X," and the year corrected.



Do not use a federal tax deposit coupon (Form 8109 or Form 8109-B) to make a payment with Form CT-1 X.

You do not have to pay if the amount you owe is less than \$1.

Previously assessed FTD penalty. If line 17 reflects overreported tax and the IRS previously assessed a failure-to-deposit (FTD) penalty, you may be able to reduce the penalty. For more information, see the instructions for Form 945-A.

Part 4: Explain Your Corrections for This Year.

18. Correction of Both Underreported and Overreported Amounts

Check the box on line 18 if any corrections you entered on lines 6 through 16 in column 3 reflect both underreported and overreported amounts.

Example: If you had an increase to Tier I Employer compensation of \$15,000 for employee A and a decrease to Tier I Employer compensation of \$5,000 for employee B, you would enter \$10,000 on line 6, column 3. That \$10,000 represents the net change from corrections.

On line 20, you must explain the reason for both the \$15,000 increase and the \$5,000 decrease.

19. Did You Reclassify Any Workers?

Check the box on line 19 if you reclassified any workers to be independent contractors or nonemployees. Also check this box if the IRS (or you) determined that workers you treated as independent contractors or nonemployees should be classified as employees. On line 20, give us a detailed reason why any worker was reclassified.

Return not filed because you did not treat any workers as employees. If you did not previously file Form CT-1 because you mistakenly treated all workers as independent contractors or as nonemployees, file a Form CT-1 for each delinquent year.

Write "Misclassified Employees" in dark, bold letters across the top margin of page 1 of each Form CT-1. Complete Form CT-1 using the Instructions for Form CT-1. Attach a Form CT-1 X to each Form CT-1. Complete the top of Form CT-1 X, including the date you discovered the error, and provide a detailed explanation on line 20.

20. Explain Your Corrections

Treasury regulations require you to explain in detail the grounds and facts relied upon to support each correction. On line 20, describe in detail each correction you entered in column 4 on lines 6 through 16. If you need more space, attach additional sheets, but be sure to write your name, EIN, and calendar year on the top of each sheet.

You must describe the events that caused the underreported or overreported amounts. Explanations such as "RRTA compensation was overstated" or "administrative/payroll errors were discovered" are insufficient and may delay processing your Form CT-1 X because the IRS may need to ask for a more complete explanation.

The following is the information we need in your explanation for each error you are correcting.

- Form CT-1 X line number(s) affected
- Date you discovered the error
- Difference (amount of the error)
- Cause of the error

You may report the information in paragraph form. The following paragraph is an example.

"The \$1,000 difference shown in column 3 of lines 6 and 7 was discovered on May 15, 2009, during an internal payroll audit. We discovered that we included \$1,000 of compensation for one of our employees twice. This correction removes the reported compensation that was never paid."

Part 5. Sign Here

You must complete all three pages of Form CT-1 X and sign it on page 3. If you do not sign, processing of Form CT-1 X will be delayed.

Who must sign the Form CT-1 X? Form CT-1 X must be signed by one of the following:

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

A duly authorized agent of the taxpayer may also sign Form CT-1 X if a valid power of attorney has been filed.

Alternative signature method. Corporate officers or duly authorized agents may sign Form CT-1 X by rubber stamp, mechanical device, or computer software program. For details and required documentation, see Rev. Proc. 2005-39. You can find Rev. Proc. 2005-39, 2005-28 I.R.B. 82, at www.irs.gov/irb/2005-28_IRB/ar16.html.

Paid Preparer's Use Only

You must complete this section if you were paid to prepare Form CT-1 X and are not an employee of the filing entity. Sign in the space provided. Give the employer the return to file with the IRS and include a copy of the return for the employer's records. Paid preparers must sign Form CT-1 X with a manual signature.

If you are a paid preparer, write your SSN or your Preparer Tax Identification Number (PTIN) in the space provided. Include your complete address. If you work for a firm, write the firm's name and the EIN of the firm. You can apply for a PTIN using Form W-7P, Application for Preparer Tax Identification Number. You cannot use your PTIN in place of the EIN of the tax preparation firm.

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

Additional Information

You may find the following products helpful when using Form CT-1 X.

- Form W-2, Wage and Tax Statement
- Form W-3, Transmittal of Wage and Tax Statements
- Instructions for Forms W-2 and W-3
- Form W-2c, Corrected Wage and Tax Statement
- Form W-3c, Transmittal of Corrected Wage and Tax Statements
- Instructions for Forms W-2c and W-3c
- Form 945-A, Annual Record of Federal Tax Liability
- Instructions for Form CT-1
- Instructions for Form 843
- Pub. 15 (Circular E), Employer's Tax Guide
- Pub. 966, The Secure Way to Pay Your Federal Taxes

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on Form CT-1 X to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. Section 6109 requires filers and paid preparers to provide their identifying numbers on the return.

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 and records relating to a form or 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 Code Section 6103.

The time needed to complete and file Form CT-1 X will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	18 hr., 53 min.
Learning about the law or the form	24 min.
Preparing and sending the form to the IRS	43 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 IRS at the address shown in the Paperwork Reduction Act Notice on Form CT-1.

How Can You Order Forms and Publications from the IRS?



Call 1-800-829-3676.



Visit the IRS website at www.irs.gov.