

Year 2010 Railroad Retirement and Unemployment Insurance Taxes

The amounts of compensation subject to railroad retirement tier I and tier II payroll taxes and the tier I and tier II tax rates on employees and employers remain unchanged in 2010. Railroad unemployment insurance tax rates paid by employers will continue to include a 1.5 percent surcharge in 2010.

Tier I and Medicare Tax.--The railroad retirement tier I payroll tax rate on covered rail employees and employers for the year 2010 remains at 7.65 percent. The railroad retirement tier I tax rate is the same as the social security tax, and for withholding and reporting purposes is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate remains at \$106,800 in 2010 but there is no maximum on earnings subject to the 1.45 percent Medicare rate.

Tier II Tax.--The railroad retirement tier II tax rate on employees will remain at 3.9 percent in 2010, and the rate on employers will remain at 12.1 percent. The maximum amount of earnings subject to railroad retirement tier II taxes remains at \$79,200 in 2010. Tier II tax rates under the 2001 Railroad Retirement and Survivors' Improvement Act are based on an average account benefits ratio reflecting railroad retirement fund levels. Depending on this ratio, the tier II tax rate for employers can range between 8.2 percent and 22.1 percent, while the tier II rate for employees can be between 0 percent and 4.9 percent.

Unemployment Insurance Tax.--Employers, but not employees, also pay railroad unemployment insurance taxes, which are experience-rated by employer. The basic tax rates range from a minimum of 0.65 percent to a maximum of 12 percent on monthly compensation up to \$1,330 in 2010, the same compensation base as in 2009. However, the Railroad Unemployment Insurance Act also provides for a surcharge in the event the Railroad Unemployment Insurance Account balance falls below an indexed threshold amount, and such a surcharge of 1.5 percent applied in 2004-2009. Since the accrual balance of the Railroad Unemployment Insurance Account was \$73.5 million on June 30, 2009, which was less than the indexed threshold of \$134.4 million, a surcharge of 1.5 percent will again be added to the basic tax rates in 2010, but will not increase the maximum 12 percent rate.

The unemployment insurance tax rates on railroad employers in 2010 therefore will range from 2.15 percent (the minimum basic rate of 0.65 percent plus the 1.5 percent surcharge) to a maximum of 12 percent on monthly compensation up to \$1,330.

The 1.5 percent surcharge will not apply to new employers in 2010, and new employers will initially pay a tax rate of 2.51 percent, which represents the average rate paid by all employers in the period 2006-2008.

For 77 percent of covered employers, the unemployment insurance rate assessed will be 2.15 percent in 2010.

###