Below are examples of how a participant with a uniformed services and civilian TSP account can exceed the 415(c) limit:

Example 1

A uniformed service member is deployed in a designated combat zone. He expects to retire shortly after returning from his deployment. To take advantage of the additional contributions he can make to the TSP while in a combat zone, he contributes $47,000 in tax exempt contributions. He returns and contributes another $2,000 in tax-deferred contributions to the TSP and then retires. In September, he is employed by the Federal government in a position covered by FERS and is immediately eligible to contribute to his civilian TSP. He will not become eligible for agency contributions until June of the following year, but elects to contribute to the TSP for the remainder of the year. By the end of the year, he contributes $4,000 in tax deferred contributions to his civilian TSP account.

In January 2010, the TSP identifies the participant as exceeding the 415(c) limit by $4,000. The TSP will send the participant a check for $4,000 (plus earnings) from his uniformed services TSP account. When the check is sent, $2,000 of the check will reflect the tax-deferred contributions he made to his uniformed services TSP account; the remaining amount will reflect tax-exempt contributions.

The participant must report the $2,000 of tax-deferred contributions paid to him as income earned in (the year the participant made the contributions). The participant must report the earnings attributable to both the tax-exempt and tax-deferred disbursement as income earned in 2009 (the year the excess earnings were paid to the participant).

Example 2

A Federal civilian employee is also a member of the uniformed services. In December, she is placed on active duty to deploy to a designated combat zone. She elects to contribute to her uniformed services TSP account, knowing that, as a FERS employee, she is entitled to retroactive Agency Matching Contributions in her civilian TSP account upon her return, based on contributions made from basic pay to her uniformed services TSP account. She also knows that while on active duty in a designated combat zone she can contribute more from tax-exempt income than she can from pre-tax income. In January, she deploys to a combat zone and increases her contributions to the TSP. By July, she contributes the maximum ($49,000) to her uniformed services TSP account. In September, she returns to her civilian job from her active duty deployment and continues her regular pre-tax contributions to the TSP account. As a FERS employee she is eligible for Agency Automatic (1%) and Matching Contributions.

She submits her military pay stubs to her agency to receive retroactive agency contributions for the period she was in non-pay status, but contributed to her uniformed services TSP account. Her agency deposits $2,200 in retroactive Agency Automatic (1%) and Matching Contributions, plus breakage. In addition, as she continues to earn basic pay and contribute to the TSP for the remainder of the year, she receives agency contributions. By the end of the year, she has contributed $8,000 in pre-tax contributions to the TSP and received the entire amount of Agency Automatic (1%) and Matching Contributions she was entitled to for the year; $4,400. The total amount of contributions that have been contributed to both TSP accounts for is $61,400. In 2010, the TSP identifies the participant as exceeding the 415(c) limit between her two TSP accounts and returns $12,400 in tax-exempt contributions plus attributable earnings from the uniformed services TSP account.

Because the total amount of contributions returned was from tax-exempt contributions, she will not have to report the amount as taxable income earned. In the next year she will report the attributable earnings on the $12,400 returned to her as income earned.

Example 3

A FERS participant has both a civilian and uniformed services TSP account. He elects to contribute regular and over-50 catch-up contributions to his civilian TSP account. He contributes the maximum catch-up contribution ($5,500) by April and continues to make regular tax-deferred TSP contributions. In July, he is brought on active duty to deploy to a designated combat zone in the following month. Knowing he will be able to contribute more to his uniformed services TSP from tax-exempt income, he increases his TSP uniformed services contribution election. By the end of the year, he has contributed $41,000 to his uniformed services TSP. However he also contributed $7,000 tax-deferred, to his civilian TSP prior to being deployed. As a FERS covered employee he received $2,500 in Agency Automatic (1%) and Matching Contributions in his civilian TSP account. In January 2010, the TSP identifies this participant as exceeding the 415(c) limit and pays $1,500 plus accrued earnings from the uniformed services account. Although the total contributions to both TSP accounts equaled $56,000, the over-50 catch up contributions were not applied to the 415(c) annual addition limit; therefore, the refund of excess contributions was based only on regular employee contributions to both TSP accounts and agency contributions made to his civilian TSP account.