

13. Indicate how you wish to have your refund paid to you if it is \$200 or more. If your refund is less than \$200, the Office of Personnel Management (OPM) cannot roll it over. It will be paid directly to you. Please carefully read all of the information provided with this form, including the Special Tax Notice Regarding Rollovers, before you make your decision. An error in completing this form could delay your payment or cause payment in a manner you did not intend. If you elect to roll over less than 100% of your refund, the total amount you roll over to any one organization must be at least \$500. Make one choice in each section below, unless you need additional information. If you need additional information before making this election, check the box in the last section.

Pay the INTEREST PORTION (Taxable Portion) of my Refund –

- Pay ALL by check made payable to me, with 20% Federal Income Tax Withholding.
- Pay ALL by check made payable to my Individual Retirement Arrangement (IRA) or Eligible Employer Plan. (Your financial institution or employer plan must complete the financial institution certification form in this package.)

Name of Financial Institution or Employer Plan _____

Mail the check to the above institution or plan.
 to me. I will deliver the check to the above institution or plan.

- Pay ALL to my Thrift Savings Plan Account. (You must sign and submit form TSP-60, Request for a Transfer Into the TSP, to OPM. Form TSP-60 is available on the internet at <http://www.tsp.gov>.)

Pay the CONTRIBUTION PORTION (After-Tax Portion) of my Refund –

(The Thrift Savings Plan will not accept this portion of your refund.)

- Pay ALL by check made payable to me.
- Pay ALL by check made payable to my IRA or Eligible Employer Plan. (Your financial institution or employer plan must complete the financial institution certification form in this package.)

Name of Financial Institution or Employer Plan _____

Mail the check to the above institution or plan.
 to me. I will deliver the check to the above institution or plan.

I Need Additional Information Before I Decide

- I elect to have my refund computed and a rollover package with all my options sent to me before I decide how it should be paid. (Electing this option delays payment of your refund at least an additional 30 days.)

14. **APPLICANT CERTIFICATION:** I understand that I am not legally entitled to receive a refund if I am reemployed or otherwise assigned to a position under the Federal Employees Retirement System or Civil Service Retirement System within 31 days of separating from my most recent position. I agree to notify OPM if I am employed again within this time period and to return or repay any refund paid to me if it is determined that I was not legally entitled to that refund.

I understand that payment of a refund will result in permanent forfeiture of any retirement rights that are based on the period(s) of Federal Employees Retirement System service which the refund covers, as explained in this package.

I hereby certify that all statements in this application, including any information I have given elsewhere in this form, are true to the best of my belief and knowledge and that the tax withholding election made here reflects my wishes.

Signature

Date (mm/dd/yyyy)

Warning: Any intentional false statement in this application or willful misrepresentation relative thereto is a violation of the law punishable by a fine of not more than \$10,000 or imprisonment of not more than 5 years, or both. (18 U.S.C. 1001)

For agency use only: I certify that this agency received this Standard Form 3106 on the date shown.

Signature of agency official

Date received (mm/dd/yyyy)

Title

Agency Payroll Office number

Certification by Financial Institution or Eligible Employer Plan

If Applicant Elects to Roll Over a Refund of Retirement Deductions

This must be completed by your financial institution or eligible employer plan.

Name of applicant (<i>last, first, middle</i>)		Social Security Number
Name of institution or employer plan		Account number
Certification: My signature below confirms the account number for the individual named in item 1 on the first page of this form. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from the Office of Personnel Management, to deposit them in an eligible IRA or eligible employer plan as defined in the Internal Revenue Code, and to account for these monies in compliance with the Internal Revenue Code. I understand that my signature below authorizes the transfer of taxable and/or non-taxable funds as indicated above.		Address of institution or employer plan
Typed or printed name of certifying representative	Phone number (<i>including area code</i>) ()	
Signature of certifying representative		Date of certification (<i>mm/dd/yyyy</i>)

Certification by Financial Institution or Eligible Employer Plan

If Applicant Elects to Roll Over a Refund of Retirement Deductions

This must be completed by your financial institution or eligible employer plan.

Name of applicant (<i>last, first, middle</i>)		Social Security Number
Name of institution or employer plan		Account number
Certification: My signature below confirms the account number for the individual named in item 1 on the first page of this form. As a representative of the financial institution or plan named above, I certify that this institution or plan agrees to accept the funds described above as a direct trustee-to-trustee transfer from the Office of Personnel Management, to deposit them in an eligible IRA or eligible employer plan as defined in the Internal Revenue Code, and to account for these monies in compliance with the Internal Revenue Code. I understand that my signature below authorizes the transfer of taxable and/or non-taxable funds as indicated above.		Address of institution or employer plan
Typed or printed name of certifying representative	Phone number (<i>including area code</i>) ()	
Signature of certifying representative		Date of certification (<i>mm/dd/yyyy</i>)

Instructions for Rollover to the Federal Retirement Thrift Savings Plan

The Thrift Savings Plan (TSP) will not accept non-taxable (post-tax) monies. You must have an open TSP account. Before the Office of Personnel Management (OPM) can complete a rollover to your Thrift Savings account, you must sign and submit Form TSP-60, *Request for a Transfer Into the TSP*, to OPM. Submit both the TSP-60 and this form, SF 3106, at the same time. OPM will complete its portion of the form and fax it to the Thrift Savings office for processing. The form must be approved by the Thrift Savings Board and the Board must notify OPM to transfer the funds. Form TSP-60 is available on the internet at <http://www.tsp.gov/forms>.

Current/Former Spouse's Notification of Application for Refund of Retirement Deductions Under the Federal Employees Retirement System

If you apply for a refund of retirement deductions, you must notify your current spouse. Also, you must notify any **former** spouse if the following conditions apply: (1) You have 18 months of creditable civilian service; and (2) You were married to the former spouse for at least 9 months. Refer to the information and instructions given on this form.

Part 1 - To Be Completed By Applicant

Instructions: To notify each current or former spouse of your application for a refund of your retirement deductions, complete Part 1 with your name, date of birth and Social Security Number and have the current or former spouse complete Part 2. The current or former spouse's signature must be witnessed in Part 3. You may not be a witness. After Parts 2 and 3 have been completed, the form must be returned to you for attachment to your refund application. (Use a separate form for current spouse and each former spouse.)

Name (<i>last, first, middle</i>)	Date of birth (<i>mm/dd/yyyy</i>)	Social Security Number
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Part 2 - To Be Completed by Current or Former Spouse

Instructions: Complete Part 2 and have two witnesses complete Part 3 and then return the form to the applicant. Payment of the refund of retirement deductions will end any entitlement you may have to a survivor annuity or portion of any annuity to which the applicant would otherwise have been entitled. If a court order expressly relates to the applicant's retirement deductions and you believe that payment of the refund would end a court-ordered entitlement you have to a survivor annuity or to a portion of an annuity to which the above-named person is entitled, see the information provided below regarding such court orders. (Complete Part 2 and have the witnesses complete Part 3 even if you are submitting a court order.)

I have read the paragraph above and I understand that the above-named individual is applying for a refund of retirement deductions under the Federal Employees Retirement System.	Signature (<i>do not print</i>)	
	Name (<i>type or print legibly</i>)	Date signed (<i>mm/dd/yyyy</i>)

Part 3 - To Be Completed by Witness

We, the undersigned, certify that Part 2 of this form was signed by the current or former spouse of the person named in Part 1 in our presence.

Signature	Date signed (<i>mm/dd/yyyy</i>)	Signature	Date signed (<i>mm/dd/yyyy</i>)
Name of witness (<i>type or print legibly</i>)		Name of witness (<i>type or print legibly</i>)	
Address (<i>number and street</i>)		Address (<i>number and street</i>)	
City, state and ZIP code		City, state and ZIP code	

Information About Sending Court Orders to the Office of Personnel Management (OPM)

If you are legally separated or divorced from the applicant, you should know that a refund would end your potential entitlement to a survivor annuity and to any portion of any annuity to which the applicant would be entitled. If you have a court order that expressly relates to any portion of the applicant's retirement deductions, **you should send a copy of the court order to OPM with a cover letter giving:**

1. The name, date of birth, and Social Security Number of the person applying for the refund;
2. Your statement that the court order has not been amended, superseded, or set aside.
3. Your name, date of birth, and mailing address; and
4. If the court order states that any payments to you are subject to termination upon your remarriage, a statement that either (1) you have remarried and the date of the remarriage, or (2) that you have not remarried and that you will notify OPM within 15 days of a remarriage should you remarry in the future.

If the court order gives you a survivor annuity after the death of the applicant, also attach a copy of your birth certificate, if available.

The court order can be honored **only if it is received before the refund is paid** to the applicant. Payment of the refund will end any entitlement you may have to a survivor annuity or a portion of any annuity to which the applicant would otherwise have been entitled. Payment of the refund will also end any eligibility you have to coverage under the Federal Employees Health Benefits Program. Send a copy of the court order and your cover letter to the following address and complete the blocks below:

Office of Personnel Management
Federal Employees Retirement System
Attn.: Refund
P.O. Box 45
Boyers, PA 16017-0045

NOTE: A former spouse who remarries before reaching age 55 is not entitled to a survivor annuity. (Termination of the remarriage does not restore a former spouse's entitlement to a survivor annuity.) Remarriage does not affect a former spouse's court-ordered right to receive a portion of any annuity during the annuitant's lifetime, unless the court order provides otherwise. A former spouse may also lose entitlement according to the court order.

I believe I have a court order that meets the criteria described above. I am **immediately** submitting a copy of the court order and the required cover letter to the address provided above.

Signature (<i>do not print</i>)	Date of court order (<i>mm/dd/yyyy</i>)	Today's Date (<i>mm/dd/yyyy</i>)
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Notification To Current and Former Spouses of Your Refund Application

The Federal Employees Retirement law provides that your retirement contributions may be refunded to you only if you notify the following persons that you are applying for a refund:

- any current spouse (including any person from whom you are legally separated) and
- any former spouse who is still living.

You **are not required** to notify a former spouse if you were not married to that person for a total of at least 9 months or you do not have a total of at least 18 months of creditable civilian service.

You should provide a copy of Standard Form 3106A, *Current/Former Spouse's Notification of Application for Refund of Retirement Deductions* (this form, front and back), to (1) your current spouse, if any, and (2) if you have at least 18 months of creditable civilian service, each former spouse that meets the above criteria. The current and/or former spouse(s) must sign the form and have the signature witnessed by two persons. You cannot be one of the witnesses. Additional copies of the SF 3106A should be available from your employing office or you can photocopy both sides of the form for each spouse/former spouse. SF 3106A is also a part of the SF 3106 forms package which is found on our website at www.opm.gov/forms.

In addition, the law provides that payment of your refund is subject to the terms of any court order (related to a divorce or legal separation) that expressly relates to any portion of your refund, if the payment of the refund would end the entitlement of a spouse or former spouse to a survivor annuity or a portion of your annuity. A court order cannot bar payment of a refund if you do not have a future annuity entitlement under the Federal Employees Retirement System.

Attach all signed and witnessed notification forms to your refund application.

If your current or former spouse refuses to acknowledge the notification or you are otherwise unable to obtain the acknowledgment, you must submit one of the following:

1. Affidavits signed by two individuals who witnessed your attempt to personally notify the current or former spouse. The witnesses must attest that they saw you give or try to give (personally) the notification form to your current or former spouse to whom your purpose should have been clear.

- or* 2. The current mailing address of the current or former spouse. (You may use the box at the end of this column to give the address.) The Office of Personnel Management (OPM) will attempt to notify (by certified mail return receipt requested) the current or former spouse at the address you give. OPM will not pay you the refund until we receive the signed return receipt. If the notice is undeliverable at the address you give, your refund may not be paid unless you subsequently show that the notification requirement should be waived as described below. If you decide you want OPM to make notification, it will cause a 6- to 8-week delay in the payment of your refund.

If you do not know the current whereabouts of a spouse or former spouse, OPM may waive the requirement to notify that person. A waiver may be granted if you submit with your refund application:

1. A determination by a court or administrative agency empowered to make such determinations that the person is missing; *or*
2. Notarized statements from yourself and two other persons (one of whom is unrelated to you) stating that the person's whereabouts are unknown and detailing efforts to locate the person.

I have been unable to notify the following current or former spouse. (Enter name and current mailing address, including ZIP Code, of the current or former spouse.)

Privacy Act Statement

5 U.S.C. 8424 authorizes solicitation of this information. The information you furnish will be used to identify records properly associated with your application for Federal benefits, to obtain additional information if necessary, to determine and allow present or future benefits, and to maintain a uniquely identifiable claim file. The information may be shared and is subject to verification, via paper, electronic media, or through the use of computer matching programs, with national, state, local, or other charitable or social security administrative agencies in order to determine benefits under their programs, to obtain information necessary for determination or continuation of benefits under this program, or to report income for tax purposes. It may also be shared and verified, as noted above, with law enforcement agencies when they are investigating a violation or potential violation of civil or criminal law.

Executive Order 9397 (November 22, 1943) authorizes use of the Social Security Number to distinguish between the applicant and people with similar names. Failure to furnish the requested data may result in our inability to refund the retirement deductions.

Public Burden Statement

We estimate that this form takes an average of 5 minutes to complete, including the time for reviewing instructions, getting the needed data, and reviewing the completed form. Send comments regarding our estimate or any other aspect of this form, including suggestions for reducing completion time, to the Office of Personnel Management, OPM Forms Officer (3206-0170), Washington, D.C. 20415-7900. The OMB Number 3206-0170 is currently valid. OPM may not collect this information, and you are not required to respond, unless this number is displayed.

Instructions For Completion of Your Application For Refund of Retirement Deductions

Special Information for Applicant

1. You must complete questions 1 through 14 on the refund application. Additionally, your financial institution(s) must complete the *Certification by Financial Institution or Eligible Employer Plan* found in this package, if you elect to roll over the refund into an individual retirement arrangement (IRA) or eligible employer plan. Your current and/or living former spouse(s) must each complete a separate SF 3106A to document notification of your application if you are or have been married.
2. Payment of a refund of your Federal Employees Retirement System (FERS) deductions will **permanently** eliminate your retirement rights for the period(s) of FERS service which the refund covers. This includes a refund of any deposit you have paid for military service performed after 1956. You will not be permitted to pay the money back, even if you are later reemployed in the government. The service involved cannot be used in computing annuity benefits that you may later become entitled to receive under FERS nor can it be used in determining length of service for annuity eligibility purposes. Payment of the refund will end eligibility any former spouse(s) may have to coverage under the Federal Employees Health Benefits Program. Payment of the refund does not, however, affect credit for leave or other non-retirement purposes.
3. A refund of retirement deductions cannot be paid prior to 31 days after the date of separation from a position subject to FERS or the Civil Service Retirement System (CSRS) or within 31 days before the earliest commencing date of any annuity for which you are eligible, including an annuity which must be reduced for age.

Payment of a refund is prohibited if you are currently employed in a position subject to FERS or CSRS deductions or will be eligible to retire within 31 days from the date of OPM's receipt of the refund application.
4. Interest will be paid on your FERS refund at the same rate earned by government securities if the period(s) of service which the refund covers totals more than one year.
5. For additional information about your benefits if you decide **not** to apply for this refund, see the booklet FERS (RI 90-1), which is available from your agency.
6. Do not offer this application to a person or a financial institution as collateral or security for a loan. A former employee must apply for a refund personally and payment must be made directly to him or her (except direct rollovers, as described in the Federal Tax Information section). However, outstanding debts to the U.S. Government can, at the Government's request, be withheld from a refund, provided all legal requirements are met.

Transfers to FERS

Completion of this application will authorize OPM to refund all retirement deductions to your credit under both FERS and CSRS. Any interest payable is computed using the rules for the retirement system under which the deductions are credited.

If you have deductions creditable under CSRS and receive a refund, you can pay back the amount of the CSRS deductions plus interest if you are later reemployed in the Federal government. The CSRS service can be used in determining length of service for annuity eligibility even if you do not repay the money. If you want only a refund of your CSRS deductions and not your FERS deductions, attach a signed statement to your completed application.

For additional information, see the FERS Transfer Handbook (RI 90-3) which is available from your agency.

Federal Tax Information

Applicants are permitted to roll over their refund of retirement contributions to an IRA or an eligible employer plan. The actual retirement contributions are not taxable. However, any interest paid on the contributions is taxable. If OPM pays the interest to you, 20% Federal income tax must be withheld. If the taxable portion is rolled over, we will not withhold any Federal income tax. If you roll your whole refund into an IRA, you are responsible for accounting separately for the taxable and non-taxable portions. If you want to roll your whole refund into an eligible employer plan, you are responsible for selecting a plan that accounts separately for the taxable and non-taxable portions. Please note that the Federal Retirement Thrift Savings Plan will accept the taxable portion of your refund (interest portion), but will not accept the non-taxable portion (actual retirement contributions).

If your refund is less than \$200, we are not required to withhold 20% of the interest for Federal income tax and we cannot roll over any of the amount. You can still roll over an amount equal to the refund personally after we send the payment to you.

You must complete Question 13 on the refund application, instructing us how to pay any refund you may be due to receive. Since we cannot tell you how much your refund will be until we receive your application and complete the calculation, you can instruct us to prepare an election form telling you the amount you can roll over (if it is over \$200) after we compute the benefit. If you ask for this detailed information, your case will be held until we send and receive your written election, usually a delay of payment of at least 30 days.

If you elect to roll over any portion of the refund into an IRA or eligible employer plan, your financial institution or employer plan must complete the certification found in this package, before we can process your election. Two certification forms are provided, since you can roll your refund over to two different institutions. If you elect to roll over less than 100% of your excess deductions, the total amount you roll over to any one organization must be at least \$500.

More information is given in the Special Tax Notice Regarding Rollovers, found in this package. Consult a qualified tax advisor or the Internal Revenue Service if you need more information on tax matters. OPM cannot provide you with tax publications or tax advice. You should be aware that distributions made from the plan to which the rollover is made may be subject to different restrictions and tax consequences than those that apply to distributions from OPM.

If you do not complete an election, and your refund is \$200 or more, we will pay your refund directly to you and will withhold 20% of any interest payable for Federal income tax. You have the option to roll over part or all of the refund yourself within 60 days after you receive the payment. If your refund is less than \$200, we will pay your refund directly to you and no tax will be withheld.

Where to File Your Application

1. If you have been separated 30 days or less, this application should be forwarded to the office in which you were last employed. If you need to check on the status of your application, first verify that your former agency has sent it, along with your records, to OPM.
2. If you have been separated more than 30 days, forward this application to the Office of Personnel Management, Federal Employees Retirement System, P.O. Box 45, Boyers, PA 16017-0045.
3. If you want to withdraw your Thrift Savings Plan account balance, ask your agency for information. This is not the form you would use.

Privacy Act Statement

Solicitation of this information is authorized by the Civil Service Retirement law (Chapter 83, title 5, U.S. Code) and the Federal Employees Retirement law (Chapter 84, title 5, U.S. Code). The information you furnish will be used to identify records properly associated with your application for Federal benefits, to obtain additional information if necessary, to determine and allow present or future benefits, and to maintain a uniquely identifiable claim file. The information may be shared and is subject to verification, via paper, electronic media, or through the use of computer matching programs, with national, state, local or other charitable or social security administrative agencies in order to determine benefits under their programs, to obtain information necessary for determination or continuation of benefits under this program, or to report income for tax purposes. It may also be shared and verified, as noted above, with law enforcement agencies when they are investigating a violation or potential violation of civil or criminal law.

Executive Order 9397 (November 22, 1943) authorizes use of the Social Security Number to distinguish between you and people with similar names. Failure to furnish the requested data may result in our inability to determine your eligibility to receive a refund of retirement deductions.

Public Burden Statement

We estimate that this form takes an average of 30 minutes to complete, including the time for reviewing instructions, getting the needed data, and reviewing the completed form. Send comments regarding our estimate or any other aspect of this form, including suggestions for reducing completion time, to the Office of Personnel Management, OPM Forms Officer (3206-0170), Washington, D.C. 20415-7900. The OMB Number 3206-0170 is currently valid. OPM may not collect this information, and you are not required to respond, unless this number is displayed.

Special Tax Notice Regarding Rollovers

Your refund consists of a taxable portion (any interest payable) and an after-tax portion (the actual retirement contributions that you paid into the retirement system). This notice explains how you can continue to defer federal income tax on the interest payable on your refund payment from the Federal Employees Retirement System (FERS) and contains important information you will need before you decide how to receive your refund.

This notice is provided to you because your refund is eligible for rollover by you or the Office of Personnel Management (OPM) to a traditional Individual Retirement Arrangement (IRA) or an eligible employer plan. A rollover is a payment by you or OPM of all or part of your benefit to another plan or IRA that allows you to continue to postpone taxation of that benefit until it is paid to you. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA). An "eligible employer plan" includes a plan qualified under section 401(a) of the Internal Revenue Code, including a 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan and money purchase plan; a section 403(a) annuity plan; a section 403(b) tax-sheltered annuity; and an eligible section 457(b) plan maintained by a governmental employer (governmental 457 plan).

An eligible employer plan is not legally required to accept a rollover. Before you decide to roll over your payment to an employer plan, you should find out whether the plan accepts rollovers and, if so, the types of distributions it accepts as a rollover. You should also find out about any documents that are required to be completed before the receiving plan will accept a rollover. Even if a plan accepts rollovers, it might not accept rollovers of certain types of distributions, such as after-tax amounts. The portion of your refund that represents your actual retirement contributions, is an after-tax amount. (The interest payable on this amount is a taxable amount.) If this is the case, you may wish instead to roll your distribution over to a traditional IRA or split your rollover amount between the employer plan in which you will participate and a traditional IRA. If an employer plan accepts your rollover, the plan may restrict subsequent distributions of the rollover amount or may require your spouse's consent for any subsequent distribution. A subsequent distribution from the plan that accepts your rollover may also be subject to different tax treatment than distributions from OPM. Check with the administrator of the plan that is to receive your rollover prior to making the rollover.

If you have a Federal Retirement Thrift Savings Plan account, you may roll over the taxable portion (interest portion) of your refund into that account. The Thrift Savings Plan (TSP) will not accept non-taxable monies (the actual retirement contributions that are being refunded). To accomplish a rollover to the TSP, you will need to submit form TSP-60 to us. See Part II, *Direct Rollover* for more information.

Summary

There are two ways you may be able to receive a refund that is eligible for rollover.

- 1) Your refund payment can be made directly to a traditional IRA that you establish or to an eligible employer plan that will accept it and hold it for your benefit ("DIRECT ROLLOVER"); or
- 2) The payment can be PAID TO YOU.

If you choose a DIRECT ROLLOVER of your refund:

- The interest portion of your payment (the taxable portion) will not be taxed in the current year and no income tax will be withheld.
- You choose whether your refund payment will be made directly to your traditional IRA or to an eligible employer plan that accepts your rollover. Your payment cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account because these are not traditional IRAs.
- The interest portion of your payment (the taxable portion) will be taxed later when you take it out of the traditional IRA or the eligible employer plan. Depending on the type of plan, the later distribution may be subject to different tax treatment than it would be if you received a taxable distribution from OPM.

If you choose to have your refund PAID TO YOU:

- You will receive 80% of the interest portion (taxable amount) of the payment, because OPM is required to withhold 20% of that amount and send it to the IRS as income tax withholding to be credited against your taxes. You will receive all of your actual retirement contributions, since taxes have already been paid on this amount.
- The interest portion of your payment will be taxed in the current year unless you roll it over. If you receive the payment before age 59-1/2, you may have to pay an additional 10% tax.
- You can roll over all or part of the refund payment by paying it to your traditional IRA or to an eligible employer plan that accepts your rollover within 60 days after you receive the payment. The amount of the interest portion rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.
- If you want to roll over 100% of the payment to a traditional IRA or an eligible employer plan, you must find other money to replace the 20% of the taxable portion (interest amount) that was withheld. If you roll over only the 80% of the interest amount that you received, you will be taxed on the 20% that was withheld and that is not rolled over.

Your Right to Waive the 30-Day Notice Period

Generally, neither a direct rollover nor a payment to you can be made until at least 30 days after your receipt of this notice. Thus, after receiving this notice, you have at least 30 days to consider whether or not to have your withdrawal directly rolled over. If you do not wish to wait until this 30-day notice period ends before forwarding your refund application to your former agency or OPM, you may waive the notice period by making an election indicating whether or not you wish to make a direct rollover.

More Information

I. Payments That Can and Cannot Be Rolled Over

Refund payments are "eligible rollover distributions." This means that they can be rolled over to a traditional IRA or to an eligible employer plan that accepts rollovers. They cannot be rolled over to a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account. Both the taxable portion (interest) and the after-tax portion (actual retirement contributions) can be rolled over.

After-tax Contributions. After-tax contributions (your actual retirement contributions, excluding any interest paid) may be rolled into either a traditional IRA or to certain employer plans that accept rollovers of the after-tax contributions. The following rules apply:

- a) Rollover into a Traditional IRA. You can roll over your after-tax contributions to a traditional IRA either directly or indirectly. The actual retirement contributions being refunded to you are after-tax contributions. You do not owe any tax on this amount. Only the interest portion is taxable.

If you roll over after-tax contributions to a traditional IRA, it is your responsibility to keep track of, and report to the IRS on the applicable forms, the amount of these after-tax contributions. This will enable the nontaxable amount of any future distributions from the traditional IRA to be determined.

Once you roll over your after-tax contributions to a traditional IRA, those amounts CANNOT later be rolled over to an employer plan.

- b) Rollover into an Employer Plan. You can roll over after-tax contributions to an employer plan using a direct rollover if the other plan provides separate accounting for amounts rolled over, including separate accounting for the after-tax employee contributions and earnings on those contributions. You CANNOT roll over after-tax contributions to a governmental 457 plan. If you want to roll over your after-tax contributions to an employer plan that accepts these rollovers, you cannot have the after-tax contributions paid to you first. You must instruct OPM to make a direct rollover on your behalf. Also, you cannot first roll over after-tax contributions to a traditional IRA and then roll over that amount into an employer plan.

II. Direct Rollover

A DIRECT ROLLOVER is a direct payment of your refund to a traditional individual retirement arrangement (IRA) or an eligible employer plan that will accept it. You can choose a DIRECT ROLLOVER of all or any portion of your refund, as described in Part I above. You are not taxed on the taxable portion of your payment (interest amount) for which you choose a DIRECT ROLLOVER until you later take it out of the traditional IRA or eligible employer plan. In addition, no income tax withholding is required for any taxable portion of your refund for which you choose a DIRECT ROLLOVER. You cannot choose a DIRECT ROLLOVER if your refund payment is less than \$200.

DIRECT ROLLOVER to a Traditional IRA. You can open a traditional IRA to receive the direct rollover. If you choose to have your refund paid directly to a traditional IRA, contact an IRA sponsor (usually a financial institution) to find out how to have your payment made in a direct rollover to a traditional IRA at that institution. If you are unsure of how to invest your money, you can temporarily establish a traditional IRA to receive the payment. However, in choosing a traditional IRA, you may want to make sure that the traditional IRA you choose will allow you to move all or a part of your payment to another traditional IRA at a later date, without penalties or other limitations. See IRS Publication 590, *Individual Retirement Arrangements*, for more information on traditional IRAs (including limits on how often you can roll over between IRAs).

DIRECT ROLLOVER to an Eligible Employer Plan. If you are employed by a new employer that has an eligible employer plan, and you want a direct rollover to that plan, ask the plan administrator of that plan whether it will accept your rollover. An eligible employer plan is not legally required to accept a rollover. Even if your new employer's plan does not accept a rollover, you can choose a DIRECT ROLLOVER to a traditional IRA. If the employer plan accepts your rollover, the plan may provide restrictions on the circumstances under which you may later receive a distribution of the rollover amount or may require spousal consent to any subsequent distribution. Check with the plan administrator of that plan before making your decision.

Change in Tax Treatment Resulting from a DIRECT ROLLOVER. The tax treatment of any payment from the eligible employer plan or traditional IRA receiving your DIRECT ROLLOVER might be different than if you received your benefit in a taxable distribution directly from the Office of Personnel Management (OPM).

Direct Rollover to the Thrift Savings Plan (TSP). If you choose to roll part or all of the taxable portion of your distribution into your TSP account, you need to submit form TSP-60, *Request for Transfer Into the TSP*, along with your refund application. This form is available on the internet at <http://www.tsp.gov>. Fill out your portion of the form; we will complete our portion and fax it to the TSP office for processing. The form must be approved by the Thrift Savings Board and the Board must notify OPM to transfer the funds.

III. Payment Paid to You

If your payment can be rolled over (see Part I on the previous page) but the payment is made directly to you, the interest portion is subject to 20% federal income tax withholding (state tax withholding may also apply). The payment is taxed in the year you receive it unless, within 60 days, you roll it over to a traditional IRA or an eligible employer plan that accepts rollovers. If you do not roll it over, special tax rules may apply.

Income Tax Withholding:

Mandatory Withholding. If any portion of your payment can be rolled over under Part I above and you do not elect to make a DIRECT ROLLOVER, OPM is required by law to withhold 20% of the interest portion (taxable amount). This amount is sent to the Internal Revenue Service (IRS) as federal income tax withholding. For example, if you can roll over a taxable payment of \$10,000, only \$8,000 will be paid to you because OPM must withhold \$2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full \$10,000 as a taxable payment from OPM. You must report the \$2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than \$200.

Sixty-Day Rollover Option. If you receive a payment that can be rolled over under Part I above, you can still decide to roll over all or part of it to a traditional IRA or to an eligible employer plan that accepts rollovers. If you decide to roll it over, *you must contribute the amount of the payment you received to a traditional IRA or eligible employer plan within 60 days after you receive the payment.* The portion of your payment that is rolled over will not be taxed until you take it out of the traditional IRA or the eligible employer plan.

You can roll over up to 100% of your payment that can be rolled over under Part I above, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

Example: The taxable portion of your payment that can be rolled over under Part I above, is \$10,000, and you choose to have it paid to you. You will receive \$8,000, and \$2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the \$8,000, you may roll over the entire \$10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the \$8,000 you received from OPM, and you will have to find \$2,000 from other sources (your savings, a loan, etc.). In this case, the entire \$10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire \$10,000, when you file your income tax return you may get a refund of part or all of the \$2,000 withheld.

If, on the other hand, you roll over only \$8,000, the \$2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the \$2,000 withheld. (However, any refund is likely to be larger if you roll over the entire \$10,000.)

Additional 10% Tax If You Are under Age 59-1/2. If you receive a payment before you reach age 59-1/2 and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, (2) payments that are paid because you retire due to disability, (3) payments that are paid directly to the government to satisfy a Federal tax levy, (4) payments that are paid to an alternate payee under a qualified domestic relations order, or (5) payments that do not exceed the amount of your deductible medical expenses. See IRS Form 5329 for more information on the additional 10% tax.

Additional Tax Information

This notice summarizes only the federal (not state and local) tax rules that might apply to your payment. The rules described above are complex and contain many conditions and exceptions that are not included in this notice. Therefore, you may want to consult with the IRS or a professional tax advisor before you take a payment of your refund from OPM. You can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. For an overview of the tax consequences of payments from the Civil Service Retirement System and Federal Employees Retirement System, you can also consult IRS Publication 721, *Tax Guide to U.S. Civil Service Retirement Benefits*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov, or by calling 1-800-TAX-FORMS.