

**Frequently Asked Questions on Pay-Related Aspects of
Your Voluntary Separation Incentive Payment (VSIP/Buyout)**

Prepared by the GSA National Payroll Center, Kansas City, MO.

Q-1. The Human Resources Office told me what my buyout amount is, but I need to know what tax withholdings will be made from my buyout and annual leave payments?

A. We will automatically withhold the following taxes from these supplemental payments:

Federal Tax	25%
State Tax	4% if applicable
Local Tax	1% if applicable
Medicare	1.45% FERS & CSRS employees
OASDI	6.20% FERS or Post '83 (CSRS Offset) employees

Q-2. Twenty-five percent Federal tax seems rather high. Why do you use 25%? Is there something I can do to reduce my withholdings?

A. IRS procedure considers such buyout payments as “supplemental payments” and provides two methods by which we can calculate your Federal tax. The two methods are 1) A flat rate of 25% or 2) by withholding Federal tax as though the supplemental payment is a single payment for a regular pay period. Method 1, the 25% flat rate, minimizes the withholding impact for our associates. Method 2, annualizes the payments, which generally puts associates in a tax bracket exceeding 25%. Therefore, we have chosen to use method one, which is the most favorable for associates.

If you feel that you still need to reduce your withholdings, you may want to reexamine your tax planning and possibly consult your tax professional for advice regarding your withholdings and your retirement date. If you will receive your payments in Calendar Year 2004, you may want to submit a new W-4, Employee's Withholding Allowance Certificate to the National Payroll Center (NPC) as soon as possible to adjust your bi-weekly withholding for the remainder of the 2004 tax year.

Q-3. What other deductions will be made from my VSIP/Buyout payment?

A. There are certain other deductions, which we are legally obligated to deduct, if applicable to the associate. These include:

- 1) The balance of any debt owed to your agency will be withheld.
Examples - Uniform Allowance, Health Benefits, unresolved Claim

for Waivers.

- 2) The balance of any commercial garnishment plus supplemental fees or court-ordered interest related to the garnishment will be withheld.
- 3) The balance of any student loan will be withheld.
- 4) A one time bi-weekly deduction for any court-ordered child support/alimony will be withheld.

Optional deductions (your choice):

- 1) Payment for Military service credit and/or balance. If you would like for us to deduct your payment for military service credit and/or balance from your buyout payment, please include a signed and dated request to that effect in your retirement/ resignation package that you file with your servicing HR Office.

Q-4. Are there any deductions that you normally take from my gross pay that will not be taken from the VSIP/Buyout payment?

- A. Yes. IRS levies and TSP loan repayments will NOT be deducted from your buyout payment.

Q-5. How long after I retire can I expect to receive my final pay, my annual leave payment, and my buyout payment?

- A. Your last regular salary payment (final pay) will be processed in the pay cycle in which you retire/resign and you will receive it when you would normally receive your net pay. However, we cannot process your buyout and annual leave payments until we receive all your separation paperwork and have cleared you of any remaining obligations. Once the separation paperwork is complete, your buyout payment will be generated, and in some cases, your annual leave will also be paid at the same time. We will make the same commitment to you as we have during previous buyout periods, and that is to make every effort to send you the payments within no more than 45 days. We have learned that when there is good cooperation from all parties involved, those payments can even be made within 30 days. Given similar circumstances, we have no reason to believe we cannot process current buyouts just as quickly.

Q-6. How will my annual leave and buyout payments be paid?

- A. They will be paid within normal biweekly pay cycles directly to you in whatever manner your final net pay was received. If you receive your net pay by EFT, your VSIP payments will also be sent by EFT. These payments will be reflected on your final leave and earnings statement. If you have changed your address, please be sure your timekeeper has your forwarding address. It is equally important you provide the National Payroll Center (NPC) with any changes to your address. Your Form W-2 will be mailed to the address on file with the NPC. If you prefer your payments be sent to a different bank or mailing address, please notify the National Payroll Center in writing at least 18 days prior to your separation date.

Q-7. Can you rollover my buyout payment into an IRA?

- A. No. OPM and the IRS very clearly specify the kinds of payments that can be rolled over into other eligible retirement plans. These do not include buyout payments, severance pay, or annual leave payments. However, we will be happy to send your payments electronically to the bank account of your choice. If the bank account of your choice is other than that of your net or final pay, please notify us in writing at least 18 days prior to your separation date of the new EFT address and routing number.

Q-8. What will happen to my TSP loan?

- A. The Federal Retirement Thrift Investment Board will be notified of your separation by the National Payroll Center. Within 90 days of your separation, the TSP staff in New Orleans will notify you of your loan balance and provide repayment information. NOTE: It is important for you to know that if you fail to make full repayment in accordance with the loan repayment information sent to you by the TSP after your separation, the loan balance will be considered a premature distribution and will be taxable and may be subject to IRS assessed premature distribution penalty. You should consider consulting your tax professional for advice. For additional information, you may call the TSP Service Office at 504-255-6000.

Q-9. When will my retirement annuity start?

- A. When all the necessary retirement paperwork is received in the NPC, your retirement will be processed and forwarded to the Office of Personnel Management (OPM) without any delay related to your buyout payment. If you have questions regarding when your

paperwork was sent to OPM, you can contact the NPC Customer Service Unit for details at (816) 823-3900. You should receive your first annuity within 6 to 8 weeks after your paperwork is submitted to OPM.

Our experience with prior buyouts was that some December 31 retirees received their first annuity payment as early as February. Although we cannot promise things will work as well for you, we will make every effort on our end to expedite the paperwork to OPM.

Q-10. You mention "all the necessary paperwork" several times. What are all the necessary pieces and who is responsible for completing them.

There are certain forms necessary to initiate a successful separation from your agency. Please consult with your HR Office as to what these forms are.

Responsible Organization

- A. Paperwork (Request for Personnel Action - Associate Servicing Organization SF-52).
- B. Military Service Credit and/or Balance – If you would like us to deduct your military service credit and/or balance from your buyout payment, please include a signed and dated request to that effect in your retirement/resignation package.

Human Resources

- A. "Retirement Claim Application Cover Sheet" and attachments. Human Resources determine which attachments. Payroll only verifies that attachments are there if the separation type requires attachments.

Finance-Accounts Payable – Region 6 & Region 7 (GSA Associates Only)

- A. Upon termination, the National Payroll Center (NPC) will e-mail each payable office. The e-mail is sent with associate's name, SSN, and fund code to verify if there are any outstanding financial obligations. The proper finance division will notify payroll within 24 hours of the results.

Once an associate terminates, notify the NPC for any additional outstanding obligations received via e-mail to KC-PAYROLL FINANCE as soon as possible.

Q-11. What can I do as the separating associate to assure things all go smoothly?

- A. All the critical "players" are familiar with the process. There is every reason to believe your buyout and annuity will be processed as quickly as those in recent years were processed. If there is one suggestion we would make, it would be for you to follow up with your Management Official to ensure the SF-52 Notification of Personnel Action has been completed and forwarded to the Human Resources Office.

NOTE: If you are retiring, it's essential that you contact your servicing HR Office several weeks in advance of your planned retirement date for retirement counseling and to make all the necessary decisions and to complete your retirement application. This action on your part will be critical in expediting the processing to ensure your annuity begins as quickly as possible.

Q-12. What happens if I want to return to government employment?

- A. If you return to federal government employment within 5 years of your separation and are in receipt of a buyout, you will be required to pay back in a lump sum the buyout to your agency prior to your reemployment. If you return to federal employment and repay the buyout in the same calendar year in which you received the buyout, you will only have to repay the net after tax amount. However, if your return and repayment is in a later calendar year, you will have to repay the entire pre-tax amount of buyout that you received.

Q-13. Will I be able to have payroll deductions instead of paying back the lump sum amount I received for my buyout, if I return to government employment?

- A. Payroll deductions will not be allowed. The law states that the lump sum amount must be paid in full prior to the 1st day of employment with the appointing agency.