



# Thrift Savings Plan BULLETIN for Service TSP Representatives

Subject: TSP Contribution Limits for 2009

Date: November 18, 2008

The Internal Revenue Service has announced contribution limits for 2009. These limits affect the amount of contributions participants can make to the Thrift Savings Plan (TSP) for the year. The annual limit for elective deferrals will increase from \$15,500 in 2008 to \$16,500 in 2009. For TSP purposes, elective deferrals refer to employee contributions that are made on a tax-deferred basis. The limit for over-50 catch-up contributions will increase from \$5,000 in 2008 to \$5,500 in 2009. In addition, the IRS 415(c) annual addition limit applies to uniformed services members who make tax-exempt contributions to the TSP while deployed in a designated combat zone. The annual addition limit increases from \$46,000 in 2008 to \$49,000 in 2009. The annual addition limit includes the total contributions made to the participant's uniformed services and civilian TSP accounts for the year. The total amount also includes Agency Automatic (1%) and Matching Contributions made during the year. However, it does not include over-50 catch-up contributions.

**Elective Deferral Limit.** Participants may elect to contribute any percentage of basic, incentive, special, and bonus pay to the TSP. However, the TSP is not allowed to accept a contribution that exceeds the elective deferral limit. When a participant reaches the elective deferral limit, the TSP sends a notice to the service payroll office, instructing it to stop submitting tax-deferred contributions and to restart them with the first paycheck in the following year. Participants who wish to make a TSP contribution for each pay date throughout the year may want to use the Elective Deferral Calculator located in the Calculators section of the TSP Web site at [www.tsp.gov](http://www.tsp.gov).

**Over-50 Catch-Up Contributions Limit.** Participants who will make regular contributions to the TSP or an equivalent employer plan up to the maximum amount allowed by the IRS and who will be age 50 or older in 2009 may make a separate election to contribute an additional amount, called over-50 catch-up contributions. These contributions are tax-deferred, but do not count toward the IRS elective deferral limit described above. However, they have their own limit: \$5,000 for 2008, and \$5,500 for 2009. Eligible participants elect a whole dol-

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**Inquiries:** Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1460**.

**Chapter:** This bulletin may be filed in Chapter 2, General Information.

lar amount from basic pay. A new election must be made each year. Age-eligible participants who elect to contribute the maximum in regular contributions to the TSP and make a catch-up election have the opportunity to defer up to \$20,500 in 2008 and \$22,000 in 2009 in their TSP accounts. Catch-up contributions are contributed from pre-tax income. Age-eligible participants deployed to a designated combat zone who elect catch-up contributions must earn taxable income in order to make a tax-deferred catch-up contribution to the TSP. Consequently, age-eligible members who receive 100% tax-exempt income while deployed in a combat zone do not have the pre-tax income available to make catch-up contributions.

**TSP Limits for Participants with both Civilian and Uniformed Services TSP Accounts.** For participants who contribute to both a civilian and a uniformed services TSP account during the year, the elective deferral and catch-up limits apply to the combined amounts of tax-deferred contributions in both accounts. During the year, the TSP will apply the limits separately to each account. In January of the following year, the TSP will determine whether either limit was exceeded by the participant contributing to both accounts. If a participant exceeds the limits, the TSP will deduct the excess amount and attributable earnings from the participant's uniformed services TSP account and will send a check for this amount. The participant must report the contributions we return as income for the year in which the contributions were made. Earnings we return to the participant should be reported as income for the year we pay the earnings.

Service and agency payroll offices must not change the deferral amounts in block 12 of IRS Form W-2 for participants who exceed the elective deferral or over-50 catch-up contributions limit by contributing to a civilian and a uniformed services TSP account. Instead, the TSP will send the participant an IRS Form 1099-R in the January following the year the excess contributions were returned.

**Limits for Participants Who Contributed to an Equivalent Employer Plan and the TSP.** The elective deferral and catch-up limits apply to contributions participants make to the TSP and equivalent employer plans (e.g., 401(k), 403(a), or 403(b) plans). Participants who exceed these limits by contributing to more than one employer plan may request a refund of excess deferrals from the TSP for the amount of contributions above these limits. In January of each year, the TSP will provide the Request for Refund of Excess Contributions form with the Fact Sheet: Annual Limit on Elective Deferrals. The TSP must receive a participant's request for a refund of 2008 excess elective deferrals no later than March 31, 2009. The TSP cannot process requests received after this date. Agencies should refer affected participants to the TSP Web site at [www.tsp.gov](http://www.tsp.gov) for more information.

**Additional TSP Limits.** TSP participants who have civilian and uniformed services TSP accounts may be subject to the IRS annual addition limit under section 415(c) of the Internal Revenue Code. This limit applies when a participant contributes to his or her uniformed services TSP account while deployed in a designated combat zone. In such a case, the member makes tax-exempt contributions to the TSP. The tax-exempt contributions are not included in the IRS elective deferral limit, but become part of the IRS 415(c) annual addition limit: \$46,000 for 2008, and \$49,000 for 2009. When a participant becomes subject to the annual addition limit, the total tax-deferred and tax-exempt contributions to the participant's

uniformed services and civilian TSP accounts are part of that limit. Agency Automatic (1%) and Matching Contributions also count towards the annual addition limit. However, catch-up contributions are not included in the annual addition limit.

The TSP will apply the same process to the 415(c) annual addition limit as it does to returning other excess contributions: it will return the excess amount from the contributions made to the participant's uniformed services TSP account. The TSP will first return tax-deferred contributions. If the participant's tax-deferred contributions are less than the amount the TSP is required to return, the TSP will return the remainder of the excess amount from the participant's tax-exempt contributions. The amount we return will include earnings attributable to the excess contributions. The participant must report the tax-deferred amount we return as income for the year in which he or she made the contributions. The participant must report the earnings we return as income in the year we pay the earnings. Tax-exempt contributions returned to the participant are not taxable as income. However, the earnings on these contributions are taxable in the year we return them. Participants who would like more information on how the limit applies to their uniformed services and civilian TSP accounts may want to refer to the [Questions and Answers](#) on the TSP Web site. A link to examples can be found under question number 4.

Service and agency payroll offices must not change the TSP contribution amounts in block 12 of IRS Form W-2 for participants who exceed the annual addition limit. Instead, the TSP will send the participant an IRS Form 1099-R in the January following the year the excess contributions were returned.



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