Thrift Savings Plan
BULLETIN for Agency TSP Representatives

Subject: TSP Contribution Limits for 2008

Date: November 27, 2007

The Internal Revenue Service has announced contribution limits for 2008. These limits affect the amount of elective deferrals participants make to the Thrift Savings Plan (TSP) for the year. The annual limit for elective deferrals will remain $15,500 for 2008. The limit for over-50 catch-up contributions will remain $5,000 for 2008. For TSP purposes, elective deferrals refer to employee contributions, which are made on a tax-deferred basis.

Elective Deferral Limit. Participants may elect any percentage or whole dollar amount to contribute tax-deferred to the TSP. However, the TSP is not allowed to accept a contribution that exceeds the elective deferral limit. A FERS employee who reaches the elective deferral limit prior to the final pay date of the year will lose the opportunity to receive agency matching contributions attributable to the remaining pay dates. When a participant reaches the elective deferral limit, the TSP will send a notice to the agency 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 under the Calculators section of the TSP Web site at www.tsp.gov.

Personnel offices should notify all FERS employees who are eligible for agency matching contributions of the elective deferral limit and the effect contributions have on the ability to receive matching contributions for the entire year. Agencies can refer FERS participants to the latest version of the Fact Sheet "Annual Limit on Elective Deferrals," available from the TSP Web site at www.tsp.gov. The TSP also has an Elective Deferral Calculator located under the Calculators section of the TSP Web site.

Over-50 Catch-Up Contributions Limit. Participants who contribute $15,500 and will be age 50 or older in 2008 may make a separate election to contribute an additional amount, called over-50 catch-up contributions. These contributions are tax-deferred and do not count toward the IRS elective deferral limit noted above. The catch-up contribution limit for 2007 and 2008 is $5,000.

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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.

TSP Limits for a Participant with both a Civilian and a Uniformed Services TSP account. 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 in the combination of the two accounts. If the 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 the participant a check for this amount. The participant must report the contributions we return to him or her as income for the year in which he or she made the contributions; the participant must report the earnings we return to him or her as income in the year we pay the earnings.

Agency and service payroll offices will 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 by contributing to both a civilian and 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 in the public, private, and non-profit 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. The TSP will provide the Request for Refund of Excess Contributions form with the "Annual Limit on Elective Deferrals Fact Sheet" in January of each year. The TSP must receive the participant's request for a refund of 2007 excess elective deferrals no later than March 31, 2008. The TSP cannot process requests received after this date. Agencies should refer affected participants to the TSP Fact Sheet on the TSP web site at 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. When this occurs, 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: $45,000 for 2007, and $46,000 for 2008. 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 this limit. Agency automatic (1%) and matching contributions also count toward the annual addition limit. However, over-50 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 tax-deferred contributions were 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 these excess contributions. The participant must report the tax-deferred amount we return as income for the year in which the contributions were made. The participant must report the earnings we return as income in the year we refund 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 civilian and uniformed services TSP accounts may want to refer to the Questions and Answers on the 2007/2008 Contribution Limits page of the TSP Web site. A link to examples can be found under question number 4.

Agency and service payroll offices will 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.

PAMELA-JEANNE MORAN
Director
Office of Participant Services