

# Important Tax Information About Payments From Your TSP Account

Before you decide how to receive the money in your Thrift Savings Plan (TSP) account, you should review the important information in this notice. Although the TSP can assist you with your withdrawal, we cannot provide tax advice. Because tax rules are complex, you may wish to speak with a tax advisor before you make any withdrawal decisions.

You can find more specific information on the tax treatment of payments from retirement plans like the TSP in IRS Publication 575, *Pension and Annuity Income*, IRS Publication 590, *Individual Retirement Arrangements (IRAs)*, and IRS Publication 721, *Tax Guide to U.S. Civil Service Retirement Benefits*. (See Section 6, Resources.)

## 1. Your TSP Account Balance

The tax treatment of your payment(s) depends on the type of money you have in your TSP account. Your TSP account may consist of a traditional (non-Roth) balance, a Roth balance, or both.

Your **traditional (non-Roth) balance** is made up of all employee contributions that you designated as traditional when you made your contribution election and the earnings on those contributions. If you are covered by the Federal Employees' Retirement System (FERS), it also includes your Agency Automatic (1%) Contributions, as well as any Matching Contributions made to your account. Earnings on agency (or service) contributions are also a part of your traditional (non-Roth) balance.

Your **Roth balance** is made up of all employee contributions that you designated as Roth when you made your contribution election and the earnings on those contributions. Earnings on all Roth contributions (including tax-exempt contributions) are tax-free provided certain Internal Revenue Service (IRS) rules are met. See Section 2.

**If you are a member of the uniformed services serving in a combat zone**, your TSP contributions will continue to be made from your tax-exempt pay. Those tax-exempt contributions will be deposited into the balance(s) you choose when you make your TSP contribution election.

## 2. General Tax Information

**If you have traditional (non-Roth) contributions in your TSP account**, you have not yet paid taxes on those contributions or the earnings. You will owe taxes on those contributions (except contributions made from tax-exempt pay) and earnings when you receive a payment (distribution) from your account. You may continue deferring payment of taxes by transferring or rolling over the payment to a traditional IRA or an eligible employer plan.

**If you have Roth contributions in your TSP account**, you have already paid taxes on those contributions. You will not owe taxes on those contributions when you receive a payment (distribution) from your account. The tax treatment of earnings depends on whether the payment is a "qualified distribution," which means that your entire payment is distributed tax-free.

The earnings in your Roth balance become qualified, and are therefore paid tax-free, when the following **two** conditions have been met:

- 1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution (this is referred to as the 5-year rule<sup>1</sup>), **AND**

<sup>1</sup> If you transferred money to your TSP Roth balance from a Roth account maintained by another employer plan, the 5-year clock begins on January 1 of the year your first contribution was made to your TSP Roth balance or, if earlier, January 1 of the year you made your first contribution to the Roth account of the other employer plan.



# Tax Notice

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- 2) You have reached age 59½ or have a permanent disability<sup>2</sup> or in the case of your death. (**Note:** If you are a beneficiary participant<sup>3</sup>, the Roth earnings in your account become qualified when 5 years have passed since January 1 of the calendar year in which the deceased TSP participant first made a Roth contribution to the account.)

If the payment from your Roth balance is not a qualified distribution and you do not transfer or roll over the payment to a Roth IRA or Roth account maintained by an eligible employer plan, you will be taxed on the earnings in the payment. If you are under age 59½, a 10% early withdrawal penalty tax on early distributions may also apply to the earnings (unless an exception applies, see Section 5). However, if you transfer or roll over the payment, you will not have to pay taxes currently on the earnings and you will not have to pay taxes on payments that later become qualified distributions.

In summary, if the payment from your TSP Roth balance is a qualified distribution, you will not be taxed on any part of the payment even if you do not transfer or roll over the payment. If the payment from your TSP account is a nonqualified distribution and you transfer or roll over the payment, you will not be taxed on the amount you transfer or roll over. Any earnings on the amount you transfer or roll over will not be taxed if paid later in a qualified distribution.

**If you have both a traditional (non-Roth) and a Roth balance in your TSP account**, any withdrawals you make will be paid proportionally from each balance.

Example:

TSP account balance = \$10,000; participant chooses to make a full withdrawal.

Traditional portion of balance at time of withdrawal = \$5,000 (50% of total TSP account)

Roth portion of balance at time of withdrawal = \$5,000 (50% of total TSP account)

Withdrawal election:

Single Payment = 20%

Life Annuity = 0%

TSP Monthly Payments = 80%

Result:

Single payment = \$2,000, comprised of \$1,000 (50%) traditional money and \$1,000 (50%) Roth money.

Monthly payments = \$8,000. Each monthly payment will be comprised of 50% traditional money and 50% Roth money.

**Note:** Be aware that if you receive a payment from an account that has both taxable and tax-exempt contributions, your distribution will be paid proportionally from taxable and nontaxable amounts. Additionally, any payment from your Roth balance will be paid proportionally from your Roth contributions and earnings.

We report all TSP distributions to the IRS, and to you, on IRS Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Distributions from beneficiary participant accounts will be reported as death payments on IRS Form 1099-R.

### 3. Federal Income Tax Withholding

We must withhold for Federal income tax from the taxable portion of certain payments described in Section 2 unless you are allowed to request reduced or no withholding for certain payment types. For purposes of IRS withholding, there are three types of payments: **eligible rollover distributions, periodic payments, and non-periodic payments**. The chart on the next page describes the withholding rates and the rules that apply to each type of TSP payment. If you are eligible and want to change the standard withholding, you may do so by completing the tax withholding section on your withdrawal request form.

If you elect a post-separation “mixed withdrawal” (e.g., an annuity and a single payment), each type of distribution is treated separately and may be subject to different tax withholding rules.

We do not withhold for state or local income tax. However, we do report, on IRS Form 1099-R, all TSP distributions to your state of residence at the time of the payment (if that state has an income tax). You may need to pay state and local income taxes on your payment. See a tax advisor or state or local tax officials for specific information.

<sup>2</sup> The TSP cannot certify to the IRS that you meet the Internal Revenue Code’s definition of a disability when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.

<sup>3</sup> A beneficiary participant is a spouse beneficiary of a deceased civilian or uniformed services TSP participant who has an account established in his or her name.

# Tax Treatment for TSP Payments<sup>1</sup>

Type of TSP Payment	Type of Payment for IRS Purposes	May I Transfer or Roll Over the Payment?	What Is the Withholding Rate?	May I Increase Withholding?	May I Decrease Withholding?	May I Waive Withholding?
Automatic enrollment refund <sup>2</sup>	Non-periodic payment	No	10%	Yes — complete tax withholding section of Form TSP-25.		Yes — complete tax withholding section of Form TSP-25.
Single payment full withdrawal after separation or from a beneficiary participant account	Eligible rollover distribution	Yes	20% mandatory	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>	No	No
Monthly payments for less than 10 years (requested amount) <sup>4</sup>	Eligible rollover distribution			Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>
Monthly payments for 10 years or more (requested amount) <sup>5</sup>	Periodic payments	No	As if married with 3 dependents	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>	Not applicable	Not applicable
Monthly payments based on the IRS life expectancy table	Periodic payments			Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>	Not applicable	Not applicable
Automatic cash-out (less than \$200)	Eligible rollover distribution	Rollover only	None	Not applicable	Not applicable	Not applicable
Partial withdrawal after separation or from a beneficiary participant account	Eligible rollover distribution	Yes	20% mandatory	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>		No
Required minimum distribution payments <sup>6</sup>	Non-periodic payments	No	10%	Yes — complete line 3 of IRS Form W4-P. <sup>3</sup>	No	Yes — complete line 1 of IRS Form W4-P. <sup>3</sup>
Final single payment after a series of monthly payments	Eligible rollover distribution	Yes	20% mandatory	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>		No
Age-based in-service withdrawal	Eligible rollover distribution	No	10%	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>		Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>
Financial hardship in-service withdrawal	Non-periodic payment	No	10%	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>		Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>
Loan taxable distribution — default by separation	Eligible rollover distribution	Rollover only (using personal funds)	Not applicable — money already paid	Not applicable	Not applicable	Not applicable
Loan taxable distribution — default while still employed	Non-periodic payment	No		Not applicable	Not applicable	Not applicable
Court order payment to a current or former spouse <sup>7</sup>	Eligible rollover distribution	Yes	20% mandatory	Yes — complete the withholding section of your payment method election form. <sup>3</sup>		No
Court order payment not to a current or former spouse	Non-periodic payment	No	10%	No	No	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>
Death benefit from a beneficiary participant account	Non-periodic payment	No	10%	Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>		Yes — complete the withholding section of your withdrawal request form. <sup>3</sup>
Death benefit to a non-spouse <sup>8</sup>	Eligible rollover distribution	Only to an “inherited” IRA	20% mandatory	Yes — complete line 3 of IRS Form W4-P. <sup>3</sup>		No
<b>Annuity purchase</b>	Payments will be reported for tax purposes by the annuity provider. The annuity provider will send information to participants about making a withholding election.					

<sup>1</sup> Withholding only applies to the taxable portion of the payment (e.g., the earnings portion of a nonqualified Roth distribution.)

<sup>2</sup> Withholding rules that apply to refunds of automatic enrollment contributions paid out as withdrawals using Form TSP-70 are based on the withdrawal option chosen on that form.

<sup>3</sup> Some versions of withdrawal request forms have tax withholding sections that should be completed in lieu of IRS Form W-4P, Withholding Certificate for Pensions or Annuity Payments.

<sup>4</sup> If the payment is satisfying the IRS required minimum distribution amount, it is treated as a non-periodic payment. See the “Required minimum distribution payments” section of this chart.

<sup>5</sup> Payments are treated as periodic even if they are satisfying the IRS required minimum distribution amount.

<sup>6</sup> Required minimum distributions are not treated as non-periodic payments (for IRS purposes) if they are part of monthly payments that are expected to be paid over 10 or more years or are part of monthly payments that are based on the IRS life expectancy table. In these cases, taxes are based on withholding for a married person with 3 dependents, under the IRS withholding rules for periodic payments.

<sup>7</sup> Court order payments made to a current or former spouse of a beneficiary participant are treated as non-periodic payments.

<sup>8</sup> Death benefits paid to a non-spouse are treated as non-periodic payments if they come from a beneficiary participant account.

**Automatic enrollment refunds:** If you separated from service within the first 90 days of having become automatically enrolled in the TSP, and your balance is \$200 or more, you can request a refund of your automatic enrollment contributions or a withdrawal from your account. If your account has less than \$200 when you separate, the balance will be sent to your address of record automatically and no federal tax withholding will be taken. (**Note:** Automatic enrollment refunds do not apply to beneficiary participant accounts.)

**CSRS Participants.** Use Form TSP-25, Automatic Enrollment Refund Request, to request your refund. You will receive your own contributions (and earnings), there will be 10% withholding for Federal income tax, and you will not pay an early withdrawal tax penalty.

**FERS Participants.** You can use Form TSP-25, Automatic Enrollment Refund Request, to request your refund. Any Agency Matching Contributions (including earnings) and nonvested Agency Automatic (1%) Contributions (including earnings) will be forfeited to the TSP. You will receive your own contributions (and earnings), there will be 10% withholding for Federal income tax, and you will not pay an early withdrawal tax penalty. Alternatively, you can use Form TSP-70, Request for Full Withdrawal, to obtain your refund. You will receive your own contributions (and earnings) and all Agency Matching Contributions (and earnings). There will be 20% tax withholding, and you may be subject to the 10% IRS early withdrawal tax penalty. Also, you will forfeit your Agency Automatic (1%) Contributions, unless you were “vested” (entitled to keep them).

**Annuities:** Payments you receive from an annuity that the TSP purchases for you are also subject to tax withholding depending upon whether they contain traditional (non-Roth) contributions and/or nonqualified Roth earnings. The annuity provider will send information about making a withholding election.

#### 4. Transferring or Rolling Over Your TSP Distribution

Some payments from the TSP may be transferred or rolled over into an IRA or eligible employer plan. Such payments, called “eligible rollover distributions,” are identified on the chart on the previous page. Be aware that the tax rules regarding transfers and rollovers can be complicated. You should consult a tax advisor to ensure that you understand the tax consequences of such a transaction.

**An eligible employer plan** includes a plan qualified under section 401(a) of the Internal Revenue Code, such as a section 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 a section 457(b) plan maintained by a governmental employer. Certain eligible employer plans also accept money designated as Roth.

**A traditional IRA** is any IRA that is not a Roth IRA, a SIMPLE IRA, or an education IRA. Tax-deferred money that is transferred from the TSP to a traditional IRA is not subject to tax until it is withdrawn from the IRA.

**A Roth IRA** accepts only after-tax dollars, but provides tax-free growth. If you transfer your TSP traditional (non-Roth) balance to a Roth IRA, you must pay taxes on the funds for the year of the transfer.

Be aware that no IRA or eligible employer plan is required to accept a transfer or rollover. Before you decide to transfer or roll over your TSP account, you should find out whether your IRA or plan accepts transfers or rollovers, the minimum amount it will accept, and whether tax-exempt contributions or Roth contributions, if applicable, will be accepted.

If your payment is an **eligible rollover distribution**, you may ask the TSP to transfer part or all of the payment directly to your IRA or eligible employer plan. If you receive an eligible rollover distribution in the form of a check paid to you, you may deposit (roll over) the payment into your IRA or eligible employer plan in certain situations. The type of plan to which you can transfer or roll over your payment depends on whether the money you transfer or roll over is from your traditional (non-Roth) balance or your Roth balance.

#### ***Your Transfer and Rollover Options for Payments From a Traditional (non-Roth) Balance***

You may transfer or roll over your traditional (non-Roth) balance to a traditional IRA, an eligible employer plan, or a Roth IRA.

Keep in mind that the plan you choose to transfer or roll your funds into may be subject to different tax treatment and plan rules (such as different spousal consent rules) than the TSP.

**If you choose to have the TSP transfer part or all of your eligible rollover distribution**, the TSP will make the payment directly to your traditional IRA, Roth IRA, or eligible employer plan. Also, the following rules apply:



- The transfer of your traditional (non-Roth) balance to a traditional IRA or eligible employer plan will not be taxed in the current year and no income tax will be withheld. Your payment will be taxed when you withdraw it from the traditional IRA or the eligible employer plan.
- The entire transfer of your traditional (non-Roth) balance to a Roth IRA will be taxed in the current year. No income tax will be withheld at the time of the transfer. However, you may need to pay estimated taxes to mitigate your tax liability.
- If you are 70½ or older and a portion of your payment is a required minimum distribution, that portion cannot be transferred. Instead, it will be paid directly to you after 10% has been deducted for Federal income tax withholding. This rule also applies if you are receiving monthly payments and elect to receive a final single payment that includes a required minimum distribution.

**If the TSP pays an eligible rollover distribution directly to you**, and you decide to do a **rollover** to a traditional IRA, Roth IRA, or eligible employer plan yourself:

- You will have up to 60 days after you receive the payment to make the deposit into your IRA or plan to avoid tax on the amount you roll over.
- The TSP is required to withhold 20% of your payment for Federal income taxes. This means that in order to roll over your entire payment, you must use other funds to make up for the 20% withheld.
- If you do not roll over the entire amount of your payment, the portion not rolled over will be taxed and will also be subject to the 10% early withdrawal penalty if you are under age 59½ (unless an exception applies).

If you roll over your payment into a Roth IRA, the full amount rolled over will be taxed in the current year.

**Special note regarding tax-exempt money:** TSP tax-exempt balances in both uniformed services accounts and the beneficiary participant accounts that result from them may be transferred or rolled over into a traditional IRA or a Roth IRA or transferred to certain eligible employer plans, but only if the IRA or plan certifies that it accepts tax-exempt balances. Otherwise, the tax-exempt amount will be paid directly to you. Check with your IRA trustee or plan administrator to see if the funds will be accepted. The TSP will transfer the taxable portion of the withdrawal first. Tax-exempt money will be transferred only if

the taxable portion of the withdrawal does not satisfy the transfer request.

### ***Your Transfer and Rollover Options for Payments From a Roth Balance***

You may transfer or roll over your Roth balance to a Roth IRA or a Roth account maintained by an eligible employer plan that will accept the rollover. Keep in mind that the rules of the Roth IRA or eligible employer plan that receives the rollover will determine your investment options, fees, and rights to payment from the Roth IRA or eligible employer plan. For example, no spousal consent rules apply to Roth IRAs, and Roth IRAs may not provide loans. Further, the amount rolled over will become subject to the tax rules that apply to the Roth IRA or the Roth account maintained by the eligible employer plan. In general, these tax rules are similar to those described elsewhere in this notice, but differences include:

- If you do a transfer or rollover to a Roth IRA, your Roth IRA (or all of your Roth IRAs, if you have more than one) will determine whether you have satisfied the 5-year rule (counting from January 1 of the year for which your first contribution was made to any of your Roth IRAs).
- If you do a transfer or rollover to a Roth IRA, you will not be required to take a distribution from the Roth IRA during your lifetime, and you must keep track of the total amount of the after-tax contributions in all of your Roth IRAs (in order to determine your taxable income for later Roth IRA payments that are not qualified distributions).
- Eligible rollover distributions from a Roth IRA can only be rolled over to another Roth IRA. **Note:** Distributions from Roth IRAs are paid first from contributions, then from earnings.

**If you choose to have the TSP transfer part or all of your eligible rollover distribution**, the TSP will make the payment directly to your Roth IRA or Roth account maintained by an eligible employer plan.

- The transfer of your Roth balance to a Roth IRA or a Roth account maintained by an eligible employer plan will not be taxed in the current year and no income tax will be withheld. However, your payment from that plan may be taxed when you withdraw it. If, at that time, your payment does not meet the IRS rules for qualified earnings (see Section 2), the taxable portion will be subject to Federal tax withholding. (**Note:** If your Roth earnings are not qualified and you are under age 59½, an early withdrawal penalty may also apply.)

- If a portion of your payment is a required minimum distribution, that portion cannot be transferred. Instead, it will be paid directly to you after 10% Federal tax withholding has been deducted from the taxable portion of your required minimum distribution. This rule also applies if you are receiving monthly payments and elect to receive a final single payment that includes a required minimum distribution.
- If you choose to have the TSP transfer only a portion of your payment and a portion is paid to you, each payment will be paid proportionally from your Roth contributions and earnings. Nonqualified Roth earnings that are paid to you will be subject to tax.

**If the TSP pays an eligible rollover distribution directly to you,** and you decide to do a **rollover** to a Roth IRA or Roth account maintained by an eligible employer plan yourself:

- You will have up to 60 days after you receive the payment to make the deposit into your Roth IRA or Roth account maintained by an eligible employer plan.
- If your payment is not a qualified Roth distribution, the TSP is required to withhold 20% of the earnings for Federal income taxes. This means that in order to roll over your entire payment to a Roth IRA, you must use other funds to make up for the 20% withheld.
- You can only roll over your distribution into a Roth account maintained by an eligible employer plan if the payment is nonqualified (taxable) and the rollover amount does not exceed the amount of the earnings in the payment.
- You cannot do a 60-day rollover to an eligible employer plan of any part of a qualified distribution.
- If you receive a nonqualified distribution and you do not roll over an amount at least equal to the amount of the earnings, you will be taxed on the amount of the earnings not rolled over. You will also be subject to the 10% early withdrawal penalty tax on the amount of nonqualified earnings not rolled over if you are under age 59½ (unless an exception applies).

**Beneficiary participants:** You have the same transfer and rollover options that the participant would have had as described in this section.

## 5. Other Tax Rules

### *Repayment of Plan Loans*

The TSP must declare a **taxable distribution** on the **entire** unpaid balance (including any accrued interest) of your loan if:

- You fail to repay your loan in accordance with your Loan Agreement.
- You miss a loan payment and you do not submit the amount needed to bring your payments up-to-date within the specified time period.
- You do not repay your loan in full when you separate from Federal service.

This means that the IRS will consider the unpaid balance of your loan to be taxable income. In addition, if you are under age 59½, you may have to pay a 10% early withdrawal penalty tax on the taxable portion of the loan. Once a taxable distribution has been declared, the loan is closed and you will not be allowed to repay it.

If any part of your loan is associated with **tax-exempt or Roth contributions**, those contributions will **not** be subject to tax. However, the following conditions apply to Roth *earnings*:

- If the taxable distribution is declared because **you separate from Federal service**, only Roth earnings that are not qualified will be subject to tax.
- If the taxable distribution is declared for **another reason** (such as a default on your loan), the Roth earnings included in the distribution will be subject to tax, even if you have already met the conditions necessary for your Roth earnings to be qualified.

*Consult the IRS or a tax advisor for information and advice if your loan is declared a taxable distribution.*

**If the taxable loan distribution was declared because you separated from Federal service,** you may be able to roll it over (within 60 days of the distribution date) to an IRA or an eligible employer plan using your personal funds. (See the rollover rules in Section 4.) If you are able to do a rollover, you will avoid current tax and, if applicable, an additional 10% penalty tax on any taxable portion that you roll over. Members of the uniformed services can also roll over tax-exempt amounts if the IRA or eligible employer plan will accept tax-exempt money.

*The TSP will send you the appropriate tax form by January 31 of the year after the distribution.*

### **Additional 10% Penalty Tax**

If you receive a TSP distribution before you reach age 59½, in addition to the regular income tax, you may have to pay an early withdrawal penalty tax equal to 10% of any taxable portion of the distribution not transferred or rolled over. The additional 10% tax generally does not apply to payments that are:

- Paid after you separate from service during or after the year you reach age 55;
- Annuity payments;
- Automatic enrollment refunds;
- Made as a result of total and permanent disability;<sup>4</sup>
- Made because of death;
- Made from a beneficiary participant account;
- Made in a year you have deductible medical expenses that exceed 7.5% of your adjusted gross income;<sup>4</sup>
- Ordered by a domestic relations court; or
- Paid as substantially equal payments over your life expectancy.

**Members of the uniformed services:** The penalty tax does not apply to any portion of a TSP distribution (including a loan) which represents tax-exempt contributions from pay earned in a combat zone.

Relief from the 10% early withdrawal penalty is available to eligible Reservists called to duty for more than 179 days. The Reservist must have been activated after September 11, 2001, **and** must have received his or her TSP distribution between the date of the order or call and the close of the active duty period. The Reservist may also be eligible to repay the distribution to an IRA (not the TSP). Participants should consult with their tax advisors, legal assistance officers, or the IRS regarding this relief.

### **Receiving Monthly Payments**

Participants receiving monthly payments may change the amount annually. If you elect to change the fixed dollar amount of your payments, if you transfer money into your account while receiving monthly payments, or if you change from payments based on life expectancy to a fixed dollar amount, the withholding from the taxable portion of your payment may change. The withholding rules will be determined according to whether your new payments are eligible rollover distributions or periodic payments (based on your account balance at the time the payment changes), and whether the payment is taxable, tax-free, or a combination of the two.

In addition, changing from monthly payments based on life expectancy to a fixed monthly payment amount may make you liable for the 10% penalty tax on the payments you previously received, if you do so within 5 years of beginning your payments or before you are age 59½. To learn more, see IRS Publication 575, *Pension and Annuity Income*.

### **Required Minimum Distribution if You Are Over 70½**

If you are over age 70½ and are separated from Federal service, you must either withdraw your entire TSP account or begin receiving monthly payments by April 1 of the year following the year you turned 70½. In addition, this April 1 date is the deadline for the TSP to start to distribute the IRS “required minimum distribution,” a minimum amount of the money in your account that you must receive each year. For more information, see the TSP tax notice “Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions.”

**Beneficiary participants:** Special rules apply to required minimum distributions from beneficiary participant accounts. To learn more, see the TSP tax notice “Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants.”

### **Special Tax Treatment if You Were Born Before January 2, 1936**

If you were born before January 2, 1936, and you receive your entire account in a lump sum distribution, you can make a one-time election to calculate the amount of the tax on the distribution by using the 10-year tax option and using 1986 tax rates. The 10-year tax option often reduces the taxes that you owe. To learn more, see IRS Publication 575, *Pension and Annuity Income*. The 10-year tax option does not apply to beneficiary participant accounts.

<sup>4</sup> The TSP cannot certify to the IRS that you meet this exemption requirement when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.

### ***Rules for Nonresident Aliens or Beneficiaries of Nonresident Aliens***

If you are a nonresident alien and you do not have the TSP transfer your payment to a U.S. IRA or a U.S. employer plan, the TSP is generally required to withhold 30% (instead of 20%) of the payment for Federal income taxes. If the amount withheld exceeds the amount of tax you owe (as may happen if you roll over an amount that the TSP pays directly to you), you may request an income tax refund by filing IRS Form 1040-NR, U.S. Nonresident Alien Income Tax Return and attaching your IRS Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding. See IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding, for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also TSP tax notice "Special Tax Withholding Rules for Thrift Savings Plan Payments to Nonresident Aliens," IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident*.

### ***Death Benefit Payments and Court-Ordered Payments***

For information on the tax treatment of death benefit payments to an individual who is not the surviving spouse of a TSP participant, read the TSP tax notice "Important Tax Information About Thrift Savings Plan Death Benefit Payments."

For information on the tax treatment of court-ordered payments, read the TSP tax notice "Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders."

## **6. Resources**

TSP publications are available from the TSP website at [www.tsp.gov](http://www.tsp.gov) or from the TSP by calling the TSP toll free at 1-877-968-3778 (TDD: 1-877-847-4385). Outside the U.S. and Canada, please call 404-233-4400 (not toll free). You can also send a fax to 1-866-817-5023 or write to the TSP at the address on the TSP website. IRS publications are from your local IRS office, on the IRS website at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.