



# Thrift Savings Plan BULLETIN for Service TSP Representatives

Subject: TSP Contribution Limits for 2010

Date: November 6, 2009

The Internal Revenue Service (IRS) has announced the contribution limits for 2010. 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 remain at \$16,500 in 2010. For TSP purposes, elective deferrals refer to employee contributions that are made on a tax-deferred basis. The limit for catch-up contributions will remain at \$5,500 in 2010. In addition, the Internal Revenue Code (I.R.C.) 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 will remain at \$49,000 in 2010.

## **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 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 website at [www.tsp.gov](http://www.tsp.gov).

## **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 I.R.C. and who will be age 50 or older in 2010 may make a separate election to contribute an additional amount, called catch-up contributions. These contributions are tax-deferred, but do not count toward the elective deferral limit described above. However, they have their own limit: \$5,500 in 2010. Eligible participants elect a whole dollar 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 to make a catch-up election have the opportunity to defer up to \$22,000 in

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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.

2010 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 refunded as income for the year in which the contributions were made. Earnings refunded to the participant should be reported as income for the year the TSP pays the earnings.

Payroll offices must not change the deferral amounts in block 12 of IRS Form W-2 for participants who exceed the elective deferral or 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 for the excess contributions and a separate IRS Form 1099-R for the earnings in 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 2010, 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 2009 excess elective deferrals no later than March 31, 2010. The TSP cannot process requests received after this date. Services should refer affected participants to the TSP website at [www.tsp.gov](http://www.tsp.gov) for more information.

### **Annual Addition Limit (I.R.C. Section 415(c))**

Participants who contribute to the TSP while deployed in a designated combat zone are subject to the annual addition limit under section 415(c) of the I.R.C. In such a case, the member makes tax-exempt contributions to the TSP. The tax-exempt contributions are not included in the elective deferral limit, but become part of the I.R.C. 415(c) annual addition limit: \$49,000 in 2010. Participants who contribute to their civilian and uniformed services TSP accounts are subject to the annual addition limit. 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. If the participant has Agency Automatic (1%) and Matching Contributions, these 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 I.R.C. 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-exempt contributions. If the tax-exempt 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 deferred contributions. The amount the TSP returns will include earnings attributable to these excess contributions. The participant must report the tax-deferred amount refunded as income for the year in which the contributions were made. The participant must report the earnings as income in the year the TSP refunds 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 the TSP returns them.

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 for the excess contributions and a separate IRS Form 1099-R for the earnings in the January following the year the excess contributions were returned.

Participants who would like more information on how the limit applies to their civilian and uniformed services TSP accounts should refer to the Questions and Answers on the TSP website. A link to examples can be found under question number 4, "How does the TSP apply the limits I contribute to both a civilian and a uniformed services TSP account?"



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