



Thrift Savings Plan BULLETIN

for Agency TSP Representatives

Subject: TSP Contribution Limits for 2011

Date: December 17, 2010

The Internal Revenue Service (IRS) has announced the contribution limits for 2011. 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 2011. Also, the limit for catch-up contributions will remain at \$5,500 in 2011. For TSP purposes, elective deferrals refer to employee contributions that are made on a tax-deferred basis.

Elective Deferral Limit

Participants may elect to contribute any percentage or whole dollar amount of basic pay to the TSP. However, the TSP is not allowed to accept a contribution that exceeds the elective deferral limit. If the agency submits a contribution that exceeds the elective deferral limit, the TSP will reject the Employee Contribution and associated Matching Contribution and report to the payroll office the amount the TSP system can accept that will place the participant's total Employee Contributions at the elective deferral limit. When a participant reaches the elective deferral limit, the TSP will send 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 to determine their contribution amount.

A FERS participant who reaches the elective deferral limit prior to the final pay date of the year will lose the opportunity to receive Matching Contributions attributable to the remaining pay dates. Agencies should notify all FERS participants 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 website at www.tsp.gov, and the Elective Deferral Calculator.

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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.

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 Internal Revenue Code (IRC) and who will be age 50 or older in 2011 may make a separate election to contribute an additional amount, called catch-up contributions. These contributions are tax-deferred and do not count toward the elective deferral limit noted 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 and to make a catch-up election have the opportunity to defer up to \$22,000 in 2011 in their TSP accounts.

Limits for Participants with both a Civilian and a Uniformed Services Account

For participants who contribute to both a civilian and a uniformed services TSP account during the year, the elective deferral and catch-up contribution 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 a limit, 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 refunded to him or her as income for the year in which he or she made the contributions; the participant must report the earnings refunded to him or her as income in 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 2011, 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 2010 excess elective deferrals no later than March 31, 2011. The TSP cannot process requests received after this date. Agencies should refer affected participants to the TSP website at www.tsp.gov for more information.

Additional Limits Affecting Uniformed Services Members

TSP participants who have civilian and uniformed services TSP accounts may be subject to the annual addition limit under section 415(c) of the IRC. This limit applies when a participant contributes to his or her uniformed services TSP account while he or she is 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 elective deferral limit, but become part of the IRC 415(c) annual addition limit: \$49,000 in 2011. 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, catch-up contributions are not included in the annual addition limit.

The TSP will apply the same process to the IRC 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 returned will include earnings attributable to these excess contributions. The participant must report the tax-deferred amount returned as income for the year in which the contributions were made. The participant must report the earnings as income in the year the TSP returns 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 limits apply to their civilian and uniformed services TSP accounts should refer to the Contribution Limits section under Plan Participation, Eligibility and Contributions, on the TSP website.



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