Tax Rules about TSP Payments

Thrift Savings Plan

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Before making any decisions about taking money from your Thrift Savings Plan (TSP) account, you should review the important information in this booklet. Because tax rules are complex, you may also wish to speak with a tax advisor or the Internal Revenue Service (IRS). The TSP can assist you with your withdrawal, but we cannot provide tax advice.

You can find more 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.*

Tax Reporting and Withholding

We report all TSP distributions and withdrawals to the IRS, to the appropriate state tax agencies if applicable, 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.

In most cases, we are required to withhold part of the taxable portion of your distribution or withdrawal for federal income tax. With certain types of payments, you may request that a different percentage be withheld or that nothing be withheld. Usually you will have the option to make this request when you're submitting your distribution or withdrawal request in My Account. Contact us through one of the ThriftLine Service Center options listed on page 23 for more details. The table on page 17, "Tax Treatment for TSP Payments," shows the withholding rates and the rules that apply to each type of TSP payment.

We do not withhold for state or local income tax. This does not mean that you don't have to pay state and local taxes on your distributions and withdrawals. We report all TSP payments to your state of residence at the time of the payment (if that state has an income tax). Consult a tax advisor or state or local tax officials for specific information.

Traditional, Roth, or Both

How payments from your TSP account get taxed depends on whether you have traditional money, Roth money, or both. Members of the uniformed services might also have tax-exempt pay included in their accounts as a result of contributing pay earned in a combat zone. Tax-exempt pay also must be designated as Roth or traditional, but it creates a special circumstance when it's part of your traditional balance, as you'll see on the next page.

Traditional Money

Any payment from your traditional balance is considered taxable income since you've deferred paying taxes on this money. This includes your contributions, any agency or service contributions, and the earnings.

Exception for tax-exempt pay: Traditional contributions you made from tax-exempt pay are not taxed when withdrawn. But the earnings on those contributions are. Note that any withdrawal you make will have the same percentage of tax-exempt pay that's included in your traditional balance.

Roth Money

If you have Roth money, it's separated into two pools: contributions and earnings. You've already paid income tax on the Roth money you've contributed to your account, so money coming from this pool is not taxed. The same is true of money that comes from the earnings pool but only if the distribution is "qualified." For a distribution to be qualified, you must be 59½ or older, permanently disabled, or deceased, and five years must have passed since your first Roth contribution. See "Qualified Earnings" in the glossary for more information.

In summary, no part of a qualified distribution of Roth money is taxed under any circumstances. The earnings portion of a nonqualified distribution is taxed and may be subject to the early withdrawal penalty (see page 3) unless you transfer or roll over the payment.

No difference for tax-exempt pay: In a Roth balance, tax-exempt pay is treated the same as the rest of the balance. In fact, once it's deposited into a Roth balance, tax-exempt money becomes indistinguishable from the other contributions in the balance. Withdrawals and distributions of contributions are not taxed, and the earnings are only taxed if they are not qualified.

Payments That Include Both Traditional and Roth

When a payment includes both traditional and Roth money, the tax rules for traditional balances apply to the traditional portion, and the tax rules for Roth money apply to the Roth portion.

Example: Let's say your account has a traditional balance of $60,000 and a Roth balance of $40,000. You've been making Roth contributions for seven years. The Roth balance includes $15,000 in contributions and $25,000 in earnings. You take a distribution of $1,000 from your account. You're 57 years old, no longer working, and you do not have a permanent disability. If you do not roll over any of the money to another retirement account, what portion of this distribution is considered taxable income?

Your account is 60% traditional, 15% Roth contributions, and 25% earnings on your Roth contributions. Applying those percentages to your distribution means that the $1,000 you received is made up of $600 from your traditional balance, $150 from your Roth contributions, and $250 from the earnings on those contributions.

Your TSP Account	Your Withdrawal
$ 60,000 Traditional	$ 600 Taxed as Income
$ 15,000 Roth Contributions	$ 150 Not Taxed
$ 25,000 Roth Earnings	$ 250 Taxed as Income
$100,000 Total	**$1,000 Total**

The traditional portion ($600) is all taxable. So are the earnings included in your Roth balance ($250). That's because, though you've met the five-year requirement, you're not yet 59½ years old, so this distribution is not qualified. The same would be true if you were over 59½ but five years had not passed since January 1 of the year you first made a Roth TSP contribution. Both requirements must be met. The portion that came from your Roth contributions ($150) is not taxable regardless of your age or the amount of time that has passed since you first made a Roth contribution. So the answer is that $850 of your withdrawal is considered taxable income. If you were still working and this were an in-service financial hardship withdrawal, this money would also be subject to the 10% early withdrawal penalty tax unless you were covered by an exception. (See page 3.)

Early Withdrawal Penalty Tax

If you receive a TSP distribution or withdrawal 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 or withdrawal not rolled over. The additional 10% tax generally does not apply to

- payments made after you separate from service during or after the year you reach age 55;
- if you are a public safety employee as defined in section 72(t)(10)(B)(ii) of the Internal Revenue Code, payments made after you separate from service during or after the year you reach age 50 or have 25 years of service under the TSP;
- up to $5,000 of any payment received within one year following a birth or qualified adoption in accordance with section 72(t)(2)(H) of the Internal Revenue Code;
- annuity payments;
- automatic enrollment refunds;
- payments resulting from total and permanent disability;[1]
- payments resulting from death;
- payments made from a beneficiary participant account;
- payments made in a year you have deductible medical expenses that exceed 7.5% of your adjusted gross income;
- payments made as a qualified disaster recovery distribution as defined and limited by section 72(t)(2)(M) of the Internal Revenue Code;
- payments ordered by a domestic relations court; or
- substantially equal payments over your life expectancy.

Roth withdrawals and the early withdrawal penalty: This penalty never applies to contributions you made to your Roth balance or to qualified distributions of Roth earnings. It may apply to nonqualified distributions.

1 We 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.

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

If you are a reservist called to duty for more than 179 days, you may be eligible for relief from the 10% early withdrawal penalty, provided that you received your TSP distribution between the date of the order or call and the close of the active duty period. You may also be eligible to repay the distribution to an IRA (not to the TSP). Consult with your tax advisor, legal assistance officers, or the IRS regarding this relief.

Rolling Over Your TSP Payment

Not all types of distributions and withdrawals are eligible to be rolled over. Consult the table on page 17, "Tax Treatment for TSP Payments," to see which types are considered eligible.

Before you decide to roll over money from your TSP account to an IRA or eligible employer plan, you should find out whether your IRA or plan accepts rollovers, the minimum amount it will accept, and whether any tax-exempt contributions or Roth contributions will be accepted.

Keep in mind that the plan you choose to roll over your funds to may be subject to tax treatment and plan rules (such as spousal consent rules) different from those that govern the TSP. The rules of the IRA or eligible employer plan that receives the rollover will determine your investment options, fees, and rights to payment. Specific details concerning your Roth money are explained later in this section.

The type of plan or account to which you can roll over your payment depends on whether the money you roll over is from your traditional balance or your Roth balance.

Traditional Rollovers

Eligible rollover distributions of your traditional balance may be rolled over to a traditional IRA, an eligible employer plan, or a Roth IRA.

Direct Rollovers

If you choose to do a direct rollover of part or all of your eligible rollover distribution, the following rules apply:

- The rollover of your traditional balance to a traditional IRA or eligible employer plan will not be taxed in the current year, and no income tax will be withheld. You won't be taxed on this money until you withdraw it from the traditional IRA or the eligible employer plan.
- Any part of your traditional balance that you roll over to a Roth IRA will be taxable in the current year. No income tax will be withheld at the time of the rollover, so you may need to pay estimated taxes to ensure you pay enough income tax during the year.

Indirect Rollovers

An indirect rollover occurs when you receive a payment of rollover-eligible money from your traditional balance and then decide you want to roll it over. When you do this, the following rules apply:

- Because we're making the payment directly to you and not to your other retirement plan or IRA, we are 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. Suppose, for example, that you took a $10,000 distribution and wanted to roll it over to another retirement plan or IRA. We would withhold $2,000 and send it to the IRS. You would receive $8,000. If you wanted to roll over the entire amount of your distribution, you would need to find $2,000 from another source (e.g., other savings) and send it to the other retirement plan or IRA along with the $8,000 payment you received.
- If you do not roll over the entire amount of your eligible rollover distribution within 60 days,[2] the portion not rolled over will be taxed and may also be subject to the 10% early withdrawal penalty if you are under age 59½. (See page 3.)
- If you roll over your payment from the traditional balance of your account to a Roth IRA, the full amount rolled over will be taxable in the current year.

Special note regarding tax-exempt money: Not all plans accept tax-exempt money. Be sure to check first before you make your request.

If you request a rollover of an eligible rollover distribution from your traditional balance and that balance includes tax-exempt funds, we will always roll over money from the taxable portion of your balance first. This helps reduce the amount of tax that you owe on any portion of the distribution that you receive in the current year. We will only roll over tax-exempt money if your requested rollover amount is more than the taxable portion of your distribution or withdrawal. If that's the case, we'll roll over enough of your tax-exempt balance to complete your request.

Roth Rollovers

You may roll over an eligible rollover distribution from your Roth money to a Roth IRA or a Roth account maintained by an eligible employer plan that will accept Roth rollovers. Remember that 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. These tax rules are not identical to the rules governing your TSP Roth money. Differences include the following:

- When you roll over your TSP Roth balance to a Roth IRA, the starting date for satisfying the 5-year rule for qualified distributions does not carry over. Instead, you count from January 1 of the first year you contributed to any Roth IRA.

2 The IRS may waive the 60-day rollover requirement in certain situations if you missed the deadline because of circumstances beyond your control.

- You do not have to take a distribution from a Roth IRA during your lifetime; however, your Roth TSP money, like your traditional money, is subject to required minimum distributions (RMDs) when you reach the applicable age.[3] (See page 9.)
- Distributions and withdrawals from a Roth IRA can only be rolled over to another Roth IRA.
- Distributions and withdrawals from Roth IRAs are paid first from contributions, then from earnings.

Direct Rollovers

If you choose to do a direct rollover of part or all of an eligible rollover distribution from your Roth balance, the following rules apply:

- The rollover of your Roth balance will not be taxed in the current year, and no income tax will be withheld. Subsequent distributions from your Roth IRA or Roth eligible employer account may be taxed and subject to the 10% early withdrawal penalty (see page 3) if that distribution is not qualified. (See "Qualified Earnings" in the glossary.)
- If part of your Roth balance is taxable (nonqualified distribution) we will only roll over the nontaxable money if the taxable portion of the payment does not satisfy your rollover amount. If you choose to have us roll over only a portion of your payment, any taxable portion will be rolled over first. This helps reduce the amount of tax that you owe on any portion of the payment that you receive in the current year.

Indirect Rollovers

If we pay an eligible rollover distribution directly to you and you decide to roll it over, the following rules apply:

- You cannot roll over any part of a qualified distribution to an eligible employer plan. And you can only roll over the earnings portion of a nonqualified distribution. (See "Qualified Earnings" in the glossary.) These restrictions do not apply to rollovers into Roth IRAs.
- If your payment is not a qualified distribution, the TSP is required to withhold 20% of the earnings portion for federal income taxes. This means that in order to roll over your entire payment to a Roth IRA or Roth employer plan, you must use other funds to make up for whatever amount we withheld. (See the first point under "Indirect Rollovers" for traditional money on page 5.)
- The taxable part of a nonqualified distribution is treated the same as a distribution of your traditional TSP balance: whatever portion is not rolled over is taxed and, if you are under 59½, may be subject to the early withdrawal penalty. (See page 3.)

3 Beginning in 2024, Roth TSP money will no longer be subject to RMDs prior to the participant's death.

Taxed Loans and Foreclosures

If you fail to repay your loan in accordance with your *Loan Promissory Note*, you will owe income taxes on the outstanding balance of the loan as if you had received it as a withdrawal or distribution. (See pages 1–3.)

Special conditions apply to Roth earnings in an unpaid loan balance:

- If your loan was foreclosed after you separated from service, any qualified Roth earnings will not be subject to tax. Roth earnings that are not qualified will be subject to tax.
- If your loan was taxed while you were still active (not separated from service), your Roth earnings will be taxed, even if they were already qualified. That means you'll be paying taxes today on an amount that you would otherwise have been able to receive tax-free at retirement.

If your loan was foreclosed after you separated from service, you can use personal funds to roll over any or all of the taxable amount of the distribution back to your TSP account or to another eligible employer plan or an IRA. You must complete this rollover by the due date (including extensions) for filing your federal income tax return for the year of the foreclosure. By doing this rollover, you will defer income tax on any taxable portion of the distribution. You will also avoid, if applicable, the additional 10% penalty tax for early withdrawals. (See page 3.)

Taxes on Installments[4]

The main factor in determining which IRS tax withholding requirements apply to the taxable portion of your installments is how long those payments are expected to last. When you start installments, you choose to receive a fixed dollar amount (minimum $25) or to have us calculate an amount based on life expectancy. Payments based on life expectancy and fixed-dollar-amount payments expected to last 10 years or more fall into one tax category; fixed-dollar-amount payments expected to last less than ten years fall into another. (See the TSP booklet *Distributions* for information on how we calculate the expected duration of your installments.)

Installments Expected to Last 10 Years or More or Based on Life Expectancy

- The IRS categorizes these as periodic payments.
- All installments based on life expectancy are included in this category, regardless of your age.
- You're not allowed to roll over any part of these payments to an IRA or eligible employer plan.

4 While you're receiving installments, you may also choose to receive other types of distributions from your account. These distributions could affect withholding on your installments.

- We're required to withhold for federal taxes from any taxable amount as if you are single with zero exemptions unless you elect a different option.[5] You can request that a different percentage be withheld or that nothing be withheld.

- Any installment of this type—and any portion of such installment—that goes toward satisfying a required minimum distribution (RMD) is subject to the rules described here. (See page 9.) This is an exception to the usual RMD withholding rules.

Installments Expected to Last Less Than 10 Years

- The IRS categorizes these as eligible rollover distributions.

- You're allowed to roll over all or part of these installments to an IRA or eligible employer plan. We are not required to withhold for federal taxes from money you directly roll over to your other plan or IRA unless you're rolling over traditional money to a Roth IRA.

- We're required to withhold at least 20% of any taxable part of your installments that you do not directly transfer. You may still roll over all or part of such payments to an IRA or eligible employer plan. Generally, you have 60 days after receiving payment to do the rollover. If you want to roll over the full amount of the payment, you must use other funds to make up for the amount withheld.

- You can instruct us to withhold a percentage that's greater than 20%, but you cannot have less withheld or waive withholding.

- Any installment of this type—and any portion of such installment—that goes toward satisfying a required minimum distribution (RMD) (see below) is subject to a different set of tax rules:
  - The IRS categorizes these as non-periodic payments.
  - You're not allowed to roll over RMDs to an IRA or eligible employer plan.
  - We're required to withhold 10% of any taxable amount for federal taxes unless you elect a different percentage. You can instruct us to withhold a different percentage between 0% and 100%.

Life Expectancy Installments and the Early Withdrawal Tax Penalty

Installments based on life expectancy are an exception to the early withdrawal penalty tax. But the penalty can be applied retroactively if you do any of the following within five years of beginning your installments or before you reach age 59½:

- stop your life-expectancy-based installments

- switch them to installments of a fixed dollar amount

- take a distribution from your TSP account in addition to your life-expectancy-based installments

5 Installments initiated before 2023 will continue to have withholding as if you are married with three dependents unless you chose a different option or do so in the future.

Doing any of those things in that period of time will make you liable for the penalty tax on the installments you previously received.

Required Minimum Distributions

If you have a federal civilian or uniformed services account, you must begin receiving "required minimum distributions" (RMDs) once you have separated from service and reached a specific age. The applicable age is gradually increasing, so it depends on when you were born. Table 1, below, will allow you to find your applicable age. Your entire TSP account—both traditional and Roth—is subject to RMDs.[6] We calculate the amount you're required to receive using your age, your prior year-end account balance, and the IRS Uniform Lifetime Table, which is shown on page 18. **See pages 12–13 for information about RMDs from beneficiary participant accounts.**

Note: If your TSP account record has your date of birth or separation from service recorded incorrectly, or if your agency or service is late in reporting your separation, you may not receive a payment that satisfies the minimum distribution requirement by your required beginning date (defined below). If this happens, you may be subject to an IRS penalty tax of 25% on the amount that was not paid to you on time. (The penalty is reduced to 10% if you meet the conditions of section 4974(e) of the Internal Revenue Code.) To avoid this penalty, you must be sure that the information in your TSP record is correct and that your agency or service reports your separation promptly.

The first year in which you are separated from service and have reached your applicable age or older is called your **first distribution calendar year**. If you do not receive enough money from your account to meet the requirement during your first distribution calendar year, we are required to disburse your first RMD to you by April 1 of the following year. That date is called your **required beginning date**. Use Table 1 to find your applicable age and your required beginning date.

Table 1. RMD applicable age and required beginning date finder

Participant's Date of Birth	Applicable Age	Employment Status as of 12/31/2022	Required Beginning Date
Before January 1, 1950	Has already passed	Separated	Has already passed
		Active	April 1 of the year after separation
January 1, 1950 – December 31, 1950	Has already passed	Separated	April 1, 2023
		Active	April 1 of the year after separation
January 1, 1951 – December 31, 1951	73	Separated	April 1, 2025
		Active	April 1 of the year after separation
January 1, 1952 – December 31, 1959	73	Separated	April 1 of the year after participant is both separated and at least 73
		Active	
After December 31, 1959	75	Separated	April 1 of the year after participant is both separated and at least 75
		Active	

6 Beginning in 2024, only traditional money will be subject to RMDs prior to the participant's death. Roth money will not be distributed as part of an RMD, and it will not be used to calculate your RMD amount.

Note that the deadline for receiving the RMD for your first distribution calendar year is not until April of your second distribution calendar year. That's just for the first year. After that, the deadline for receiving RMDs is December 31. That means that during your second distribution calendar year, you may have two RMDs, one for the first distribution calendar year and one for the second. In the years that follow, you'll have just one RMD, due December 31.

Ensuring You Receive Your RMD

You will fully or partly satisfy your RMD with any distributions you choose to take. If you don't take any distributions or if your distributions fall short of the required amount, we will automatically send you the amount that's still required. This section explains the different rules that apply in your first distribution calendar year and in your second and subsequent distribution calendar years. It also shows how different withdrawal methods may have different effects on your RMD. See the TSP booklet *Distributions* for more information about these methods.

> It's important to keep us updated if you have a change of address. If we're aware that the address we have for you is incorrect, we will not send you an RMD check. Log in to My Account on tsp.gov to update your address.

The scenarios described here assume that the activity described is the first distribution you've taken in the year and that you have not taken a total distribution. Total distributions automatically satisfy the RMD.

What Happens During Your First Distribution Calendar Year

- If you receive **installments**, your installments will count toward satisfying your RMD. If your installments, combined with any subsequent distributions you might make, do not meet the required amount, we will give you a supplemental payment in March of the following year to satisfy your minimum distribution requirement before the April 1 deadline.
- If you take a **partial distribution**, your RMD will be satisfied if the withdrawal is at least the amount of your RMD or reduced if the distribution is less than your RMD. If your partial distribution, combined with any subsequent distributions you might make, do not meet the required amount, we will give you a supplemental payment in March of the following year to satisfy your minimum distribution requirement before the April 1 deadline.
- If you purchase an **annuity**, we will send you a separate check for your full RMD amount before processing the annuity purchase.

What Happens During Your Second and Subsequent Distribution Calendar Years

Because the deadline for your first distribution year is April 1 of your second distribution year, we will continue to follow the rules just explained for the first two months of the second year unless the first year's RMD has been satisfied. Your distributions taken in the second year won't start counting toward your second year's RMD until your first year's RMD is satisfied. If it's still not satisfied by mid-March, we will send you what remains of your first year's RMD. After that, your distributions will count toward your second year's RMD using the same rules described for the first distribution calendar year with **two important exceptions:**

- **December 31 deadline.** After the first year, the deadline for a given year's RMD is December 31 of that same year. So if you haven't satisfied your RMD by December, we will send you the necessary amount then.
- **Treatment of annuity purchases.** The rule about sending you a check before processing any withdrawal that includes an annuity purchase no longer applies after you've satisfied your first year's RMD. If you purchase an annuity in a later year, your annuity purchase will satisfy a portion of your RMD for that year in this way: The percentage of your account that you use to purchase the annuity is the same percentage of your RMD that the purchase will satisfy. In other words, if you choose to purchase an annuity with 50% of your account balance, then 50% of your RMD amount will be satisfied.

The same rules apply for the years that follow except that distributions taken in all months of a year count toward that year's RMD.

RMDs May Not Be Rolled Over

RMDs cannot be rolled over to an IRA or eligible employer plan. If you choose to roll over all or part of a distribution in a year in which you have an RMD, we are required to make sure you satisfy the RMD before any rollover takes place. We must do this beginning with your first requested rollover of the year, whether or not you intend to satisfy the RMD later in the year.

When you request an eligible rollover distribution in a year in which you're subject to an RMD, the RMD amount will be removed from the distribution amount before you're allowed to request a rollover. For example, if you take a partial or total distribution of $100,000 and have an RMD of $10,000, you will only be able to roll over $90,000. We will send the $10,000, minus any tax withholding, directly to you. If you've elected to receive installments of a fixed dollar amount expected to last less than 10 years, the option to roll money over will not be available to you until the RMD has been satisfied.

Tax Withholding from RMDs

With one exception explained in the next paragraph, RMDs are in the IRS category of non-periodic installments. We must withhold 10% for federal income tax unless we receive other instructions from you. You can instruct us to withhold a different percentage between 0% and 100% by contacting us using one of the ThriftLine options listed on page 23.

Exception: There is one situation in which we would not treat your RMD as a non-periodic payment: If a portion of an installment is used to satisfy your RMD and that installment is categorized as a periodic payment (payments expected to last 10 years or more or based on life expectancy), then the whole payment, including the RMD portion, is considered a periodic payment. We'll follow the same withholding rules for "Installments Expected to Last 10 Years or More or Based on Life Expectancy" listed on page 7.

RMDs from Beneficiary Participant Accounts

Beneficiary participants (see "Death Benefits" on page 13) are also required to take RMDs. As with civilian and uniformed services accounts, RMDs from beneficiary participant accounts apply to both traditional and Roth money.

For beneficiary participant accounts, we calculate any RMDs to be paid in the year of the participant's death using the deceased participant's age and prior year-end account balance and the IRS Uniform Lifetime Table. (See page 18.) In the years following the deceased participant's death, we calculate the annual amount of your RMD using your age, your prior year-end account balance, and the IRS Single Life Expectancy Table.[7] (See page 19.)

Note: If your TSP account record has incorrect dates for your spouse's birth or death, you may not receive a payment that satisfies the minimum distribution requirement by the applicable deadline in your spouse's year of death. If this happens, you may be subject to an IRS penalty tax of 25% on the amount that was not paid to you on time. (The penalty is reduced to 10% if you meet the conditions of section 4974(e) of the Internal Revenue Code.) This could also happen in the years following your spouse's year of death if your TSP account has an incorrect date of birth for you. To avoid this penalty, you must be sure that the information in your TSP record is correct. Check the information in the My Account section of tsp.gov. Use one of the ThriftLine options listed on page 23 to make corrections.

The date on which you as the beneficiary must begin receiving RMDs depends on whether your spouse died before or on/after his or her required beginning date. See Table 1 on page 9 to find your spouse's required beginning date. The table also shows your spouse's "applicable age," which you'll need to know if your spouse dies before the required beginning date.

Participant's Date of Death Is Before Required Beginning Date

Table 2 shows the three possible scenarios in this category and the deadline by which you, as the beneficiary participant, must begin receiving RMDs.

Table 2. Beneficiary RMD deadlines when spouse dies before required beginning date

If, at the time of death,	you must begin receiving RMDs by
your spouse would not have reached the applicable age before the end of the year,	December 31 of the year your spouse would have reached the applicable age.
your spouse reached the applicable age, or would have reached it before April 1 of the following year, and had already separated from federal service,	December 31 of the year following the year of your spouse's death. Note: It makes no difference if your spouse had already satisfied the RMD for the year he or she reached the applicable age prior to the required beginning date.
your spouse had reached the applicable age and had not separated from federal service,	December 31 of the year following the year of your spouse's death.

7 If you have more than one TSP account, the RMD is calculated separately for each account.

In the scenarios described in Table 2, you must continue to receive distributions by December 31 of each subsequent year. We will base all of your RMDs on your age, not your spouse's.

Participant's Date of Death Is On or After Required Beginning Date

If your spouse dies after the required beginning date, the deadline for your first RMD as a beneficiary participant depends on whether your spouse satisfied the RMD for the year of death:

- If the RMD had been met, then your first RMD is due December 31 of the year following the year of your spouse's death, and it's calculated based on your age, not your spouse's.
- If the RMD had not been met, then you still need to receive the RMD by December 31 of the year of death. In this case, it's calculated based on your spouse's age.

In both situations, you will need to receive an RMD based on your age, not your spouse's, by December 31 of each subsequent year. This might get confusing if the year of death is your spouse's **second distribution calendar year**, so it's important to be familiar with that term, which is explained on page 10.

If your spouse dies on or after April 1 of the second distribution calendar year (see pages 10–11), he or she has most likely received the RMD for the previous year. (It's automatic if we have the correct information in our records.) But that has no effect on whether you have to receive the RMD for the current year. As long as the RMD for the second distribution calendar year has not been met, you are required to receive it by December 31 of that year.

Note that if your spouse dies before April 1 of his or her second distribution calendar year, that counts as before the required beginning date. See the second row of Table 2 on page 12.

Death Benefits

When a civilian or uniformed services participant dies and his or her spouse is a beneficiary of the account, the account—or portion of the account if there are other beneficiaries—is used to create a TSP **beneficiary participant account**. The spouse beneficiary may keep this account and continue saving and making investment decisions with the TSP. Taxes continue to be deferred on any taxable portion of the money that creates the beneficiary participant account.

When a beneficiary of a civilian or uniformed services TSP account is a trust or a person who is not the participant's spouse, the designated portion of the deceased participant's account is temporarily placed in a separate account. Beneficiaries in this category may request payment once the temporary account is established. Payment is made automatically in a lump-sum total distribution after 90 days. The IRS categorizes this as an eligible rollover distribution, but it can only be rolled over to an inherited IRA and only in a direct rollover. We are required to withhold 20% of the taxable portion of the distribution not rolled over for federal income taxes. The beneficiary may instruct us to withhold a percentage that's greater than 20% but may not have withholding waived or decreased.

When a beneficiary of a civilian or uniformed services TSP account is an estate, corporation, or other legal entity, the same procedures apply, but the IRS considers the distribution a non-periodic payment. The beneficiary may not roll over the distribution. We withhold 10% of the taxable portion for federal taxes in this case. The beneficiary may instruct us to withhold a different percentage between 0% and 100%. These are also the rules that apply when the holder of a beneficiary participant account dies. All beneficiaries of beneficiary participant accounts are treated the same way, including spouses in cases where the beneficiary participant has remarried.

Note: In any of the scenarios just described, when the amount due to a beneficiary is less than $200, payment is made to the beneficiary immediately. Only indirect rollovers are allowed.

Qualifying Orders

Qualifying orders are retirement benefits court orders, legal processes (including child support orders, IRS tax levies, and restitution orders), and child abuse orders that meet the requirements set forth in 5 C.F.R. Part 1653.[8] Payments made under qualifying orders are disbursed pro rata (i.e., proportionally) from any traditional and Roth balances in the participant's TSP account. Court orders, legal processes, and child abuse orders that designate a specific source (traditional, Roth, or tax-exempt) from which payment should be made are not qualifying and will not be processed.

The taxable portion of any payment made to a current or former spouse is taxable income to the recipient of the payment. The taxable portion of any payment made to someone else, such as for child support, is taxable income to the TSP participant who holds the account from which the payment was made. We use the TSP participant's age (or date of death if applicable) and the date of the participant's first Roth contribution to determine whether the earnings in the participant's Roth balance are qualified and not subject to income tax to either the recipient or the participant. (See "Qualified Earnings" in the glossary.)

We must withhold for federal income tax from taxable payments we make unless the person responsible for paying taxes requests that there be no withholding and is eligible to do so. The federal income tax withholding and rollover rules that apply to a payment made under a qualifying order are determined based on the recipient of the payment.

The rules for tax treatment of payments resulting from qualifying orders are different depending on the type of payment, the recipient of the payment, and the type of TSP account the payment comes from. See the table on page 17 for the withholding and rollover rules for each scenario.

8 **Retirement benefits court orders** are issued pursuant to court action for a divorce, annulment, or legal separation. They award an amount to be paid from a participant's (or beneficiary participant's) TSP account to a current (including separated) spouse or former spouse or a dependent. This includes alimony and property settlement awards. **Legal processes** are issued pursuant to state law and garnish a participant's account to enforce a current child support or alimony obligation. They may also be issued for the enforcement of IRS tax levies, or restitution orders pursuant to the Mandatory Victims Restitution Act (MVRA). **Child abuse orders** are issued to garnish a participant's account to satisfy a judgment related to the abuse of a child.

TSP Payments to Nonresident Aliens

Special rules govern the tax treatment of TSP payments to nonresident aliens. A nonresident alien is an individual who is neither a U.S. citizen nor a resident of the United States.[9] What follows is a brief summary of the rules for nonresident aliens receiving money from TSP accounts. See IRS Publication 721, *Tax Guide to U.S. Civil Service Retirement Benefits* for more detailed information.

If a nonresident alien never worked for the U.S. government inside the United States, then he or she is generally not liable for U.S. federal income taxes on distributions and withdrawals from the TSP. Conversely, a nonresident alien whose U.S. government work was only within the United States is liable for U.S. income taxes on all taxable portions of TSP payments.

Nonresident aliens who worked for the U.S. government both inside and outside the United States are liable for payments received from their TSP accounts but in proportion to how much of their basic pay was earned inside the United States. For example, if a nonresident alien earned $100,000 in basic pay over a career, and $40,000 of it was earned within the United States, then that participant would be liable for taxes on 40% of the taxable portion of all TSP payments received.

Tax Withholding on Payments to Nonresident Aliens

With three exceptions, TSP payments made to any civilian participant who has a permanent address outside the United States,[6] will be subject to 30% withholding.

Exceptions:

- The participant certifies that he or she is a U.S. citizen. Regular tax withholding applies.
- The participant is not a U.S. citizen but submits IRS form W-8BEN accurately indicating that his or her country of residence qualifies for a reduced federal tax treaty rate.
- The participant is a nonresident alien but certifies that he or she never worked for the U.S. government inside the United States as defined in the footnote on page 15. In such cases, the payment is not subject to U.S. income tax and no money will be withheld. **But the recipient must contact the TSP to obtain the appropriate form to make this certification and must submit the form prior to requesting payment.**

Beneficiaries and Court-ordered Payees

The following rules apply regarding beneficiaries and court-ordered payees when one or both parties involved is a nonresident alien:

- A U.S. citizen or resident alien beneficiary or court-ordered payee of any participant, even a nonresident alien, is liable for U.S. income tax.

9 The “United States” includes the 50 states, the District of Columbia, and certain U.S. possessions and territories detailed in IRS Publication 570, *Tax Guide for Individuals With Income from U.S. Possessions*.

- A nonresident alien beneficiary or court-ordered payee of a U.S. citizen participant or a resident alien participant is liable for U.S. income tax.
- A nonresident alien beneficiary or court-ordered payee of a nonresident alien participant is liable for U.S. income tax if the participant worked for the U.S. government in the United States.
- A nonresident alien beneficiary or court-ordered payee of a nonresident alien participant is not liable for U.S. income tax if the participant never worked for the U.S. government in the United States, **but must submit the TSP-provided form certifying this before payment is processed to avoid 30% withholding**. In a case where part of the work was done in the United States and part outside the United States, the amount of the payment to be included in gross income will be calculated proportionally. See IRS Publication 721, *U.S. Guide to Civil Service Retirement Benefits*.

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 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.

Tax Treatment for TSP Payments[1]

Type of TSP Payment	Type of Payment for IRS Purposes	May I Roll Over the Payment?	What Is the Withholding Rate?	May I Have a Higher Percentage Withheld?	May I Have a Lower Percentage Withheld?	May I Choose to Have 0% Withheld?
Automatic enrollment refund[2]	Non-periodic payment	No	10%	Yes	Yes	Yes
Total or partial distribution by a separated or beneficiary participant	Eligible rollover distribution	Yes	20%	Yes	No	No
Installments for less than 10 years (fixed dollar amount)[3]	Eligible rollover distribution	Yes	20%	Yes	No	No
Installments for 10 years or more (fixed dollar amount)[4]	Periodic payment	No	As if single with 0 exemptions[5]	Yes	Yes	Yes
Installments based on life expectancy	Periodic payment	No	As if single with 0 exemptions[5]	Yes	Yes	Yes
Required minimum distributions (RMDs). See exception on page 11.	Non-periodic payment	No	10%	Yes	Yes	Yes
Age 59½ in-service withdrawal	Eligible rollover distribution	Yes	20%	Yes	No	No
Financial hardship in-service withdrawal	Non-periodic payment	No	10%	Yes	Yes	Yes
Automatic force-out (less than $200)	Eligible rollover distribution	Indirect rollover only	20%	Not applicable	Not applicable	Not applicable
Foreclosed loan (post-separation)	Eligible rollover distribution	Indirect rollover only (using personal funds)	Not applicable—money already paid	Not applicable	Not applicable	Not applicable
Taxed loan (while still employed)	Non-periodic payment	No	Not applicable—money already paid	Not applicable	Not applicable	Not applicable
Court order payment to a current or former spouse[6]	Eligible rollover distribution	Yes	20%	Yes	No	No
Court order payment (not to current or former spouse)	Non-periodic payment	No	10%	Yes	Yes	Yes
IRS tax levy; Restitution order (MVRA)	Eligible rollover distribution	No	20%	No	No	No
Death benefit[7] from a beneficiary participant account	Non-periodic payment	No	10%	Yes	Yes	Yes
Death benefit to a person or trust from a civilian or uniformed services account[8]	Eligible rollover distribution	Only to an "inherited" IRA	20%	Yes	No	No
Annuity purchase	Taking a TSP distribution to purchase an annuity is not a taxable transaction. Our annuity vendor will report annuity payments for tax purposes and provide information about withholding options.					

1 Withholding only applies to the taxable portion of the payment.

2 Withholding rules that apply to refunds of automatic enrollment contributions paid out as post-separation distributions are based on the option chosen when you request the distribution.

3 If the payment is satisfying the RMD amount, it is treated as a non-periodic payment. See the "Required minimum distribution payments" section of this table.

4 Payments are treated as periodic even if they are satisfying the IRS RMD amount.

5 Installments initiated before 2023 continue to have withholding as if married with three dependents.

6 When these payments are made from a beneficiary participant account, they follow the same rules as the "Death benefit from a beneficiary participant account" section of this table.

7 Remember that the term "death benefit" does not apply to spouse beneficiaries of civilian or uniformed services accounts. See "Death Benefits" on page 13.

8 When these payments are made to an estate, corporation, or other legal entity, they follow the same rules as the "Death benefit from a beneficiary participant account" section of this table.

Uniform Lifetime Table for Calculating Minimum Distributions*

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
72	27.4	92	10.8	112	3.3
73	26.5	93	10.1	113	3.1
74	25.5	94	9.5	114	3.0
75	24.6	95	8.9	115	2.9
76	23.7	96	8.4	116	2.8
77	22.9	97	7.8	117	2.7
78	22.0	98	7.3	118	2.5
79	21.1	99	6.8	119	2.3
80	20.2	100	6.4	120+	2.0
81	19.4	101	6.0		
82	18.5	102	5.6		
83	17.7	103	5.2		
84	16.8	104	4.9		
85	16.0	105	4.6		
86	15.2	106	4.3		
87	14.4	107	4.1		
88	13.7	108	3.9		
89	12.9	109	3.7		
90	12.2	110	3.5		
91	11.5	111	3.4		

* A required minimum distribution is calculated as illustrated in the following example: The participant reaches age 75 in 2022. As of December 31, 2021 (the last day of the calendar year immediately preceding the calendar year for which the required distribution will be made), the value of the participant's TSP account was $246,000. Based on the table above, the expected distribution period (in years) for a 75-year-old individual would be 24.6, so the participant would divide $246,000 by 24.6. Through this calculation, the participant would determine that the calendar year 2022 would require a minimum distribution of $10,000.

Single Life Table for Calculating Minimum Distributions*

Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy
0	84.6	31	54.4	62	25.4	93	4.6
1	83.7	32	53.4	63	24.5	94	4.3
2	82.8	33	52.5	64	23.7	95	4.0
3	81.8	34	51.5	65	22.9	96	3.7
4	80.8	35	50.5	66	22.0	97	3.4
5	79.8	36	49.6	67	21.2	98	3.2
6	78.8	37	48.6	68	20.4	99	3.0
7	77.9	38	47.7	69	19.6	100	2.8
8	76.9	39	46.7	70	18.8	101	2.6
9	75.9	40	45.7	71	18.0	102	2.5
10	74.9	41	44.8	72	17.2	103	2.3
11	73.9	42	43.8	73	16.4	104	2.2
12	72.9	43	42.9	74	15.6	105	2.1
13	71.9	44	41.9	75	14.8	106	2.1
14	70.9	45	41.0	76	14.1	107	2.1
15	69.9	46	40.0	77	13.3	108	2.0
16	69.0	47	39.0	78	12.6	109	2.0
17	68.0	48	38.1	79	11.9	110	2.0
18	67.0	49	37.1	80	11.2	111	2.0
19	66.0	50	36.2	81	10.5	112	2.0
20	65.0	51	35.3	82	9.9	113	1.9
21	64.1	52	34.3	83	9.3	114	1.9
22	63.1	53	33.4	84	8.7	115	1.8
23	62.1	54	32.5	85	8.1	116	1.8
24	61.1	55	31.6	86	7.6	117	1.6
25	60.2	56	30.6	87	7.1	118	1.4
26	59.2	57	29.8	88	6.6	119	1.1
27	58.2	58	28.9	89	6.1	120+	1.0
28	57.3	59	28.0	90	5.7		
29	56.3	60	27.1	91	5.3		
30	55.3	61	26.2	92	4.9		

* A required minimum distribution is calculated as illustrated in the following example: The deceased participant was born on October 31, 1957, and dies on December 1, 2015, at the age of 58. The beneficiary participant must begin receiving annual required minimum distributions by December 31, 2029 (the end of the year in which the participant would have reached age 72). As of December 31, 2028 (the last day of the calendar year immediately preceding the year for which the required distribution will be made), the beneficiary participant account balance was $220,000. The beneficiary participant is age 66 in 2029. Based on the table above, the life expectancy (in years) for a 66-year-old individual is 22, so the beneficiary participant would divide $220,000 by 22. Through this calculation, the beneficiary participant would determine that the calendar year 2029 would require a minimum distribution of $10,000.

Glossary of Terms

Death benefit—A payment from a TSP account made to a non-spouse beneficiary. It does not include the transfer of money from a deceased participant's TSP account to create a spouse's beneficiary participant account.

Distribution—Any payment you receive from your account as a separated or beneficiary participant.

Earnings—The money that contributions (yours and your agency's or service's if applicable) have earned while in your TSP account. It's the difference between your total account balance and the amount of your total contributions.

Eligible employer plan—Includes various employer-sponsored retirement plans, such as 401(k) plans, profit-sharing plans, defined benefit plans, stock bonus plans, and money purchase plans; section 403(a) annuity plans; section 403(b) tax-sheltered annuities; and section 457(b) plans maintained by a governmental employer.

Eligible rollover distribution—See "IRS payment categories."

IRS payment categories—All payments from TSP accounts fall into one of three categories for IRS purposes:

- **Eligible rollover distributions.** Generally distributions or withdrawals that the IRS allows to be rolled over into another retirement plan or IRA. See the table on page 17 for exceptions.
- **Periodic payments.** A series of substantially equal payments from your account over the course of a lifetime or a period of ten years or more.
- **Non-periodic payments.** Generally payments that do not meet the definition of periodic payments but cannot be rolled over.

Non-periodic payments—See "IRS payment categories."

Periodic payments—See "IRS payment categories."

Pro rata—In proportion to the makeup of your account. For example, if you take a withdrawal or distribution from your account and your account is 60% in the C Fund and 40% in the G Fund, the money will be taken 60% from the C Fund and 40% from the G Fund.

Qualified Earnings—Earnings on Roth contributions that are eligible to be paid out tax-free at withdrawal. Earnings are considered qualified as long as the following two requirements are met: (1) it has been 5 years since January 1 of the calendar year the participant made the first Roth TSP contribution and (2) the participant is at least age 59½, permanently disabled,[10] or deceased.

10 We 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.

Rollover—The act of moving money from an IRA or eligible employer plan to your TSP account, or moving it in the other direction. When you do this directly between the two accounts, it's called a direct rollover. An indirect rollover is first sent to you before you deposit it into another retirement account, generally within 60 days of receiving it. (See page 4 for more information.)

Roth—Money that you contributed to your TSP account as Roth (after-tax) and the earnings on that money. The contributions portion is distributed to you tax-free. The earnings portion is taxable unless qualified.

Traditional—The portion of your TSP account made up of your pre-tax TSP contributions, agency contributions, and accrued earnings. Portions of this balance may have originated from tax-exempt pay.

Withdrawal—Money you take from your account before you're separated from federal civilian employment or the uniformed services. There are two types: those you're allowed to take because of a financial hardship and those you can take because you've reached the age of 59½.

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