



Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions

We are required by law to provide you with this notice; because the tax rules covered in this notice are complex, however, you may wish to consult a tax advisor before you make any decision that might be affected by them.

Amounts paid to you from your Thrift Savings Plan (TSP) account are taxable income to you for Federal income tax purposes in the year in which payment is made.

Special Note for Uniformed Services Accounts

TSP accounts for members of the uniformed services may include contributions from pay that is subject to the combat zone tax exclusion. That pay, earned in a combat zone, is exempt from Federal income tax. Consequently, TSP contributions from such pay are exempt from Federal income tax when participants withdraw them. (This is not true for the earnings attributable to contributions from pay earned in a combat zone; all earnings are taxable when they are distributed from a TSP account.)

The TSP will make all payments, including required minimum distributions, from a uniformed services account on a *pro rata* basis from both taxable and tax-exempt balances. A withdrawal made from a uniformed services TSP account will therefore include taxable and tax-exempt balances if the account includes contributions from pay earned in a combat zone. Internal Revenue Service (IRS) Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., which the TSP provides you, will separately state the total amount of your distribution and the amount of your taxable distribution. (See *Section 6 of this notice*.)

The minimum distribution (see *Sections 2 and 3 of this notice*) from uniformed services accounts is calculated based on your entire account balance, including your tax-exempt balance, if any. Unless otherwise noted, the discussion in Section 4, "Tax Withholding from Your Withdrawal," applies only to the taxable portion of your payment.

1. Deadline for Withdrawing Your TSP Account

By April 1 of the year following the year you become age 70½ and are separated from Federal service, the TSP requires that you withdraw your entire account balance in a single payment, begin receiving monthly

payments, purchase a TSP annuity, or use a combination of these withdrawal options. This withdrawal deadline is the same as that stated in Internal Revenue Code (I.R.C.) rules for "required minimum distributions" described in Section 2.

If you do not withdraw your account by the required deadline, your account balance will be forfeited to the TSP. You can reclaim your account, but you will not receive earnings on your account from the time the account was forfeited. In order to reclaim your account, you must make a full withdrawal election.

2. Information About Required Minimum Distributions

The I.R.C. requires that you receive a portion of your TSP account (your "required minimum distribution") beginning in the calendar year you become age 70½ and are separated from Federal service. That year is called your **first distribution calendar year**. If you do not withdraw your account balance or begin receiving payments from your account before or during your first distribution calendar year, the TSP is required to make the required distribution to you by April 1 of the following year. That date is called your required withdrawal date, and that date occurs in your **second distribution calendar year**. For administrative purposes, the TSP will issue this required minimum distribution on March 1 of your second distribution calendar year.

If you make a partial withdrawal, withdraw your entire account in a single payment, begin withdrawing it through a series of monthly payments, or purchase an annuity, the TSP will ensure that your withdrawal satisfies the I.R.C. minimum distribution requirement. However, if your TSP account record has an incorrect birth or separation date, or if your agency or service is late in reporting the date of your separation, you may not receive a payment that satisfies the minimum distribution requirement by the applicable deadline. If this occurs, you may be subject to an IRS penalty tax of 50% on the amount that was not paid to you on time. 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.

3. How Your Withdrawal Payment Satisfies the Required Minimum Distribution

The TSP calculates the annual amount of your required minimum distribution based on your prior year-end account balance and your age using the Uniform Lifetime Table, Treas. Reg. § 1.401(a) (9)-9, Q&A-2, as published in the Federal Register on April 17, 2002.¹ (*See the last page of this notice.*) Because the same table is used to calculate monthly payments based on life expectancy for a participant who is 70 or older, if you withdraw your entire account using that option, you will automatically satisfy the minimum distribution requirement.

Required minimum distributions cannot be transferred to a traditional IRA or an eligible employer plan.² Therefore, if you are required to receive a minimum distribution and you choose to transfer your single payment or an eligible monthly payment when you make your withdrawal, the TSP will calculate your required minimum distribution amount, remove it from the transfer, and mail it directly to you in a separate check or send it to your checking or savings account via direct deposit (electronic funds transfer (EFT)), if you elected that option. The discussion in this section describes how a minimum distribution payment is made **when there is no transfer involved**.

What Happens During Your First Distribution Calendar Year

If you make your withdrawal in the year you become age 70½ and are separated (i.e., in your first distribution calendar year), the following will happen:

- ***If you take your entire account as a single payment***, the required minimum distribution is included in that payment;
- ***If you take your entire account as a series of monthly payments (other than payments based on life expectancy)***, your monthly payments will count toward satisfying your required minimum distribution. If necessary, the TSP will give you a supplementary payment by March 1 of the following year to satisfy the minimum distribution requirement;

¹ If you have both a civilian TSP account and a uniformed services TSP account, the minimum distribution is calculated separately for each account.

² A **traditional IRA** is any IRA that is **not** a Roth IRA, a SIMPLE IRA, or an education IRA.

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.

- ***If you take your entire account in the form of an annuity***, the annuity payment will satisfy your minimum distribution requirement.

If you make a mixed withdrawal, your required minimum distribution will be sent to you as follows:

- If you select ***an annuity and a single payment***, in a separate check before your withdrawal is processed (i.e., before your annuity is purchased and before the single payment is distributed).
- If you select ***an annuity and monthly payments***, in a separate check before your annuity is purchased and before your monthly payments begin.
- If you select ***single and monthly payments***, in the same check as your single payment. If the single payment does not satisfy your entire required minimum distribution, the monthly payments will be used to satisfy the amount remaining. If the requirement is still not satisfied by March 1 of your second minimum distribution calendar year, the TSP will send you a supplemental payment for the remaining amount before March 1 of that year.
- If you select ***an annuity and single and monthly payments***, in a separate check before your annuity is purchased and before your single and monthly payments begin.

If you make a partial withdrawal, your payment will be used to satisfy your required minimum distribution. However, if it does not satisfy the required distribution, the following will happen: If you withdraw the rest of your account during the same calendar year as your partial withdrawal, your withdrawal payment(s) will be used to satisfy the remaining required minimum distribution according to the type of withdrawal you elect; if you withdraw the rest of your account between January 1 and March 1 of the year following your first minimum distribution calendar year, the TSP will also use your withdrawal payment(s) to satisfy the remaining first year required minimum distribution. You will still be required to satisfy your required minimum distribution for your second minimum distribution calendar year.

What Happens During Your Second Distribution Calendar Year

If you make your withdrawal after January 1, but before March 1 of your second distribution calendar year, the following will happen:

If you take your entire account as a single payment, the required minimum distribution for both your first and your second distribution calendar year will be included in your single payment check.

If you take your entire account balance in a series of monthly payments (other than payments based on life expectancy), each monthly payment will be used to satisfy the required minimum distribution until the total amount of that distribution has been satisfied for the year.

If the first distribution year's required minimum distribution is not satisfied before March 1 (of your second distribution calendar year), a supplemental check will be mailed to you to satisfy the remaining required distribution amount. Beginning in March of your second distribution calendar year—or beginning with the first monthly payment after your first distribution year's minimum distribution requirement has been satisfied (whichever is sooner)—your monthly payments will be used to satisfy your required distribution for your second distribution calendar year. If your second year's required minimum distribution is not satisfied by December 31, the TSP will send you a supplemental payment to satisfy the remaining required minimum distribution amount.

If you have the TSP purchase an annuity for you using your entire account balance, the annuity purchase will satisfy the required minimum distributions for both your first and second distribution calendar years.

If you make a mixed withdrawal, you will receive your required minimum distribution as follows:

If your mixed withdrawal ***includes an annuity***, your first distribution year's required minimum distribution will be paid to you in a check before your mixed withdrawal has been processed. The rest of your withdrawal will be used to satisfy your second minimum distribution, as described below.

- First, a portion of your annuity will be used to satisfy your second distribution calendar year's required minimum distribution. That portion will represent the same percentage of your withdrawal that your annuity represents. In other words, if you choose to purchase an annuity with 50 percent of your account balance, then 50 percent of the required minimum distribution amount will be satisfied through your annuity.
- Then, if your mixed withdrawal contains a single payment, that payment will be used to satisfy the required distribution from the TSP.
- If you choose monthly payments as part of your mixed withdrawal and your required minimum distribution has not been completely satisfied through your annuity and single payment, each monthly payment will be used to satisfy the required minimum distribution until the total amount has been satisfied. If your total required minimum distribution has not been satisfied before December 31, the TSP will send you a supplemental payment to satisfy the remaining amount.

If your mixed withdrawal ***does not include an annuity***, your single payment will be used to satisfy your required minimum distribution for your first distribution calendar year. If the single payment does not satisfy it, then your monthly payments will be used to satisfy the remaining amount. If the first year's required amount is still not satisfied by March 1 of your second minimum distribution calendar year, a supplemental check will be mailed to you to satisfy the amount remaining. Beginning in March— or

with your first monthly payment after your first distribution calendar year's required minimum distribution has been satisfied (whichever is sooner) — your monthly payments will be used to satisfy your required minimum distribution for your *second* distribution calendar year. If that amount is not satisfied by December 31 of that year, the TSP will send you a supplemental payment to satisfy the amount remaining.

If you make a partial withdrawal, the partial payment will be used to satisfy your first distribution calendar year's required minimum distribution first. If the amount of the partial payment is not enough to satisfy the first year's minimum distribution, your full withdrawal election (which must also be completed by April 1) will be used to satisfy the remaining amount of your first year's required minimum distribution. The payments made in accordance with your full withdrawal election (including monthly payments) will also be used to satisfy your second year's required minimum distribution. If your full withdrawal is not completed by March 1, a supplemental check for the remaining amount of the first distribution calendar year's required minimum distribution will be sent to you. If your full withdrawal is still not completed by April 1, your remaining account balance will be forfeited to the TSP as explained in Section 1, "Deadline for Withdrawing Your TSP Account."

If your partial withdrawal is larger than your first distribution calendar year's required minimum distribution, it will also be used to pay all or part of your second distribution calendar year's required minimum distribution.

4. Tax Withholding from Your Withdrawal

TSP payments made directly to you are subject to Federal income tax withholding. For withholding purposes, there are three types of payments: **eligible rollover distributions, periodic payments,** and **non-periodic payments.** Federal income tax withholding rules are different for each type of payment, as described on pages 4 and 5. **The TSP does not withhold amounts for state or local income tax.**

Eligible Rollover Distributions

The following TSP payments are eligible rollover distributions:

- A single payment of your entire TSP account after you separate from service.
- A single payment of part of your TSP account after you separate from service (i.e., a partial withdrawal).
- Monthly payments when the payment amount you choose is expected to be paid out in less than 10 years (except payments computed by the TSP according to the IRS life expectancy tables).

- A final single payment made after a series of monthly payments.
- Amounts paid directly to you after the complete withdrawal of your TSP account (e.g., late contributions).

The following tax withholding rules apply to eligible rollover distributions:

- The mandatory tax withholding on all eligible rollover distributions of \$200 or more paid in a single year is 20%. The 20% is tax withholding, not actual tax due; therefore, when you file your annual Federal income tax return, you may be entitled to a refund of a portion of this amount, or you may be required to pay an additional amount.
- You can avoid withholding on all or any portion of an eligible rollover distribution by asking the TSP to transfer that amount to a traditional IRA or an eligible employer plan. However, you **cannot** avoid the mandatory 20% withholding on any amount that you elect to receive directly, including a payment made via EFT to your personal checking or savings account, even if you then roll it over to a traditional IRA or an eligible employer plan. (See *Section 5 of this notice*.)
- You may elect to have an amount withheld in addition to the 20% withholding by completing Line 3 of IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments.³ You should submit this form with your withdrawal request to the TSP. Line 1 and Line 2 are not valid elections for this type of payment.
- There is no withholding on eligible rollover distributions that are less than \$200. The \$200 minimum amount applies to the total dollar amount of all eligible rollover distributions the TSP makes to you in a single tax year.
- There will be no withholding on monthly payments until the total dollar amount of payments for the calendar year reaches \$200. Once payments reach \$200, the TSP will withhold taxes for the **entire** amount you received during that tax year. Withholding for the remaining amount of that tax year will be calculated based on the dollar amount of each monthly payment. (For example, if you are withdrawing your account in monthly payments and are receiving \$100 per month when they begin, there will be no withholding from your first monthly payment; however, when you receive your second monthly payment, withholding will be calculated based on \$200. Withholding on subsequent monthly payments will be calculated based on \$100—the actual amount of each monthly payment.)
- You can still elect to have withholding for any eligible rollover distribution of less than \$200 by completing Line 3 of IRS Form W-4P.

³ If you have both a civilian TSP account and a uniformed services TSP account, you must submit a separate IRS Form W-4P for each account.

Periodic Payments

The following TSP payments are periodic payments:

- Monthly payments, if the payments are made for 10 years or more.
- Monthly payments computed according to the IRS life expectancy tables.
- Payments you receive from an annuity that the TSP purchases for you. After your annuity is purchased, you will receive information from the annuity provider about making a withholding election.

Withholding for periodic payments will be based on the IRS withholding table, for a married individual claiming three withholding allowances, unless the TSP receives from you IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments. Withholding is calculated using IRS Publication 15, *Employer's Tax Guide*, or IRS Publication 15-A, *Employer's Supplemental Tax Guide*. The IRS annually updates the instructions to IRS Form W-4P to show the minimum periodic payment amounts on which withholding is required.

If you submit Form W-4P, you may elect:

- to have no Federal income tax withheld by completing Line 1 of Form W-4P; or
- to have Federal income tax withheld based on the allowances and marital status that you indicate on Line 2 of Form W-4P. Withholding will then be computed using the IRS publications referred to above; or
- to have an additional amount withheld by completing Line 3 of Form W-4P. The amount that you specify on Line 3 will be added to the amount that would otherwise be withheld (i.e., married with three allowances), or based on the election you made on Line 2.

Your withholding election submitted with a request for monthly payments will remain in effect until the TSP receives a new Form W-4P from you. A new withholding election will be effective beginning with the first payment after the form is processed. You may change elections concerning your withholding as often as you wish. Additional copies of Form W-4P are available from your local IRS office, from the TSP, or through the TSP Web site.

Non-Periodic Payment

Generally, IRS required minimum distributions — the payments required to be made to a participant automatically when he or she is age 70½ or older and separated from Federal civilian service or the uniformed services — are treated as non-periodic payments. For example, if you elect to transfer your TSP account to your IRA and a portion of the payment is sent directly to you in order to satisfy your required minimum distribution, the portion you receive directly is a non-periodic payment.

However, there is an exception. If a portion of a monthly payment is used to satisfy a required minimum distribution and that monthly payment is considered a periodic payment, the entire payment is a periodic payment.

The TSP will withhold 10% for Federal income tax from non-periodic payments unless the TSP receives IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, from you (or the payee).

If you submit IRS Form W-4P, you may elect:

- to have no Federal income tax withheld by completing Line 1 of Form W-4P; or
- to have an amount withheld in addition to the 10% by completing Line 3 of Form W-4P.

Line 2 of Form W-4P is not a valid election for this type of payment.

Special Note About Monthly Payments

The first monthly payments made during a year will be counted toward the required minimum distribution.

Monthly payments which result in payments expected to be made for less than 10 years are treated as **eligible rollover distributions**, and are subject to mandatory 20% withholding unless the total paid in one tax year is expected to be less than \$200, or unless payments are transferred as explained in Section 5 of this notice. However, any payments used to satisfy the required minimum distribution are treated as non-periodic payments, cannot be transferred, and are subject to 10% withholding.

Monthly payments expected to be made for 10 or more years or which are calculated based on life expectancy are subject to withholding under the **periodic payment** rules, as explained earlier.

Therefore, if you choose monthly payments, you should consider the category into which your payments will fall. The TSP will use the following rules in making this determination:

- **If you choose to have your payments based on life expectancy**, your payments will be treated as periodic, no matter how long they last. Payments are calculated based on IRS life expectancy tables.⁴
- **If you choose to receive payments of a certain dollar amount**, the TSP will divide your account balance at the time payments begin by the dollar amount you choose. If the result is 120 or more, your payments will be treated as periodic. If the result is less than 120, your payments will be eligible rollover distributions.
- **If you change to a final single payment from a series of monthly payments**, that final payment will be treated as an eligible rollover distribution.

Note: Once a year, you will be permitted to make a change in the amount of your monthly payments. If you are receiving monthly payments based on the IRS life expectancy tables, you will also be able to change (irrevocably) to monthly payments based on a dollar amount. If you make either change, the tax withholding on your new payments will be determined according to whether the new payments are eligible rollover distributions or periodic payments. If you have a Form W-4P on file relating to your previous election, you will need to submit a new one for your new payment amount.

Special Note for Nonresident Aliens and Beneficiaries of Nonresident Aliens

Special tax withholding rules apply to TSP payments made to nonresident aliens. For a detailed explanation of how these rules apply to you, please read the TSP tax notice “Tax Treatment of Thrift Savings Plan Payments to Nonresident Aliens and Their Beneficiaries.” You can obtain a copy of the notice from the TSP Web site (www.tsp.gov) or by calling or writing to the TSP.

A **nonresident alien** is an individual who is neither a citizen nor a resident of the United States.⁵ A **resident alien** is a non-citizen who is or was a lawful permanent resident of the United States during any part of a calendar year. An alien may also be considered a U.S. resident if the individual meets the IRS “substantial presence” test for a calendar year.⁶ For information on residency status and the tests for residency, you may obtain IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, or IRS Publication 519, *U.S. Tax Guide for Aliens*.

Other Tax Withholding Information

You may request that there be no tax withholding from a periodic or a non-periodic payment. You can do so by completing Line 1 of IRS Form W-4P. If you submit Form W-4P with Line 1 completed and you subsequently decide you want tax withholding, you may revoke your prior decision by completing another Form W-4P and writing “Revoked” on Line 1 of the form. Taxes will then be withheld at the rate set by law.

If you do not have enough Federal income tax withheld from your payment, you may be responsible for paying estimated tax. You may also incur penalties under the IRS estimated tax rules if your withholding and estimated tax payments are not sufficient.

⁴ The IRS Single Life Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-1, is used to calculate monthly payments based on life expectancy for participants who are 69 or younger. Once a participant turns 70, the Uniform Lifetime Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-2, is used (*see page 8*).

⁵ The “United States” includes the 50 States and the District of Columbia.

⁶ This is commonly referred to as the “green card” test.

If you ask to have additional withholding by completing Line 3 of IRS Form W-4P and the total amount of the withholding equals or exceeds the amount of your payment, your entire payment will be withheld.

The TSP does not withhold for state, city, county, or other local income tax. Therefore, you should consult your tax advisor or relevant state or local taxing authorities regarding any potential tax obligations to them.

5. Transferring or Rolling Over Your TSP Payment

If your payment is an **eligible rollover distribution** as described in Section 4, all or any part of it can either be transferred or rolled over to a traditional IRA or an eligible employer plan. This permits you to postpone paying tax on that amount until you withdraw the money from the IRA or the plan. However, distributions from the IRA or plan to which the transfer or rollover is made may be subject to different plan rules (such as spousal consent) and tax consequences from those that apply to distributions from the TSP. Before asking the TSP to make a transfer, you should consult with the administrator of the IRA or plan that is to receive your distribution.

A **transfer** occurs when you instruct the TSP to send all or part of your payment directly to a traditional IRA or eligible employer plan instead of issuing it directly to you. Mandatory 20% Federal income tax withholding does not apply to an amount that the TSP transfers directly to a traditional IRA or an eligible employer plan; **however, it does apply to any payment made directly to you (or to your personal checking or savings account via EFT), even if you then roll it over.**

A **rollover** occurs when the TSP makes a distribution to you (which includes the amount of the payment you receive plus the amount of tax withheld) and you deposit any part of your distribution into a traditional IRA or an eligible employer plan within 60 days of the date you receive it.

In deciding whether to choose a transfer or a rollover, you should consider the following:

- You must pay Federal income tax on any part of the payment that you do not transfer or roll over.
- Because all eligible rollover distributions of \$200 or more made directly to you (or to your personal checking or savings account via EFT) are subject to mandatory 20% withholding, you must pay Federal income tax on the amount withheld for taxes—even if you roll over the amount you receive—unless you deposit personal funds equal to the amount withheld into your traditional IRA or eligible employer plan. (If you do this, you may receive a refund of taxes withheld, but you cannot wait until you receive a refund of the withheld amount to complete a rollover.)

Therefore, if you do not want to use personal funds to make up the amount withheld, you should choose to have the TSP transfer your account to your traditional IRA or eligible employer plan directly, instead of rolling it over to your IRA or plan yourself.

If you choose to receive a series of monthly payments that is expected to last for less than 10 years, your decision whether to transfer all or any part of a payment will apply to all later payments in the series unless you change your election to have funds transferred, or unless you change your payment amount and your new monthly payments are no longer considered eligible rollover distributions.

Amounts paid to you as a minimum distribution because you have reached age 70½ may not be transferred or rolled over.

Special Note for Uniformed Services Accounts

Tax-exempt balances (i.e., tax-exempt contributions from pay earned in a combat zone) may be transferred or rolled over into a traditional IRA or transferred into certain eligible employer plans, but only if the IRA or plan accepts tax-exempt balances. Although an eligible rollover distribution will be distributed to you based on the proportion of taxable and tax-exempt balances in your account, if you choose to transfer a portion of the distribution, the taxable balance will be transferred to your IRA or plan first. Tax-exempt money will be transferred only if the taxable portion of your distribution does not satisfy the percentage that you elect to transfer to your IRA or plan. Any tax-exempt money in your withdrawal that cannot be transferred will be paid directly to you (or to your checking or savings account, if you so elect).

You may only transfer (not roll over) a tax-exempt balance to an eligible employer plan. The only types of eligible employer plans that can accept a transfer of tax-exempt balances from the TSP are plans qualified under I.R.C. § 401(a) and I.R.C. § 403(b) annuity plans; however, a plan is not legally required to accept such a transfer.

You cannot first transfer or roll over a tax-exempt balance into a traditional IRA and later transfer or roll over that amount into an employer plan. If you transfer or roll over a tax-exempt balance into a traditional IRA, it is your responsibility to keep track of the amount of these contributions and report that amount to the IRS on the appropriate form so that the nontaxable amount of any future distribution(s) can be determined.

Tax-exempt balances in a uniformed services TSP account may not be transferred into a civilian TSP account.

6. Tax Reporting

The TSP will report to the IRS all payments (including required minimum distributions) that are made directly to you, as well as all transfers made to traditional IRAs or eligible employer plans. The TSP will also report TSP payments and transfers to the state in which your TSP account record shows you resided at the time the payments were made, if that state has an income tax.

Annuity purchases are not reported by the TSP to the IRS or to your state of residence. Payments made under an annuity that the TSP purchased for you will be reported for tax purposes by the annuity provider.

In January of the year that follows your TSP payment, the TSP will send you Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. You should include the taxable amount reported on Form 1099-R as income on your individual income tax return for the year in which payment was made. **You should keep the TSP informed of any changes in your address until you receive this tax information.**

7. Additional Tax Information

Taxable Distribution of TSP Loan Due to Separation from Service

If you separate from Federal civilian service or the uniformed services with an outstanding TSP loan and you do not repay the entire loan, a taxable distribution of your outstanding loan balance must be declared before a withdrawal can be processed. (You may want to elect additional withholding from your TSP withdrawal or from other payments made to you in the same year to cover the tax you must pay on your loan distribution.)

You may deposit any amount up to the taxable amount of the distribution into a traditional IRA or an eligible employer plan using your personal funds, thereby avoiding current tax. You must make the deposit within 60 days of the date the taxable distribution was declared.

Special Note for Uniformed Services Accounts

If your account includes tax-exempt contributions (from pay earned in a combat zone) and you have a loan that is declared to be a taxable distribution, not all of the outstanding loan balance will be taxable. At the time the loan is declared to be a taxable distribution upon your separation from your service, the TSP will determine the proportions of the loan balance that are tax-exempt and taxable. The tax-exempt amount can also be deposited into a traditional IRA if the IRA will accept it.

Ten-Year Tax Option

If the payment you receive from the TSP qualifies as an **eligible lump sum distribution**, you may be able to lower the income tax you pay by using the **10-year tax option**.

An **eligible lump sum distribution** is one in which your total TSP account balance (if you have two accounts, your civilian and uniformed services TSP accounts, including tax-exempt balances, if any) is distributed to you within one tax year (the calendar year, for most taxpayers), regardless of whether this occurs in one or more payments. This means that an eligible lump sum distribution—whether distributed to you by the TSP in a series of monthly payments, in a subsequent payment made after your initial withdrawal, as a part of a mixed withdrawal, or in a taxable loan distribution—must be distributed to you in the same tax year. With the **10-year tax option**, your eligible lump sum distribution is taxed as if it were paid to you over 10 tax years.

The following rules apply to the 10-year tax option:

- The 10-year tax option is available only if you were born before January 2, 1936.
- You must have been an **active participant** in the TSP for at least five years before the year in which your distribution is made. You are considered an active participant during a year if either you or your agency made a contribution to your TSP account during that year.
- You must use the 10-year tax option for all eligible lump sum distributions that you receive in the same tax year. This includes a withdrawal of your entire TSP account after separation and any taxable loan distribution. It also includes an eligible lump sum distribution from any plan described in I.R.C. § 401(a) or § 403(a) which is maintained by another employer.
- You can use the 10-year tax option only once (as a participant) in your lifetime.
- You must use the tax rates in effect in 1986.
- If you transfer or roll over all or any part of your distribution, you cannot use the 10-year tax option.

You can elect the 10-year tax option by filing IRS Form 4972, Tax on Lump Sum Distributions, with your annual income tax return.

8. TSP Contact Information

If you have any questions regarding this notice, please contact 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 Web site (www.tsp.gov).

Uniform Lifetime Table for Calculating Minimum Distributions*

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	89	12.0	107	3.9
71	26.5	90	11.4	108	3.7
72	25.6	91	10.8	109	3.4
73	24.7	92	10.2	110	3.1
74	23.8	93	9.6	111	2.9
75	22.9	94	9.1	112	2.6
76	22.0	95	8.6	113	2.4
77	21.2	96	8.1	114	2.1
78	20.3	97	7.6	115+	1.9
79	19.5	98	7.1		
80	18.7	99	6.7		
81	17.9	100	6.3		
82	17.1	101	5.9		
83	16.3	102	5.5		
84	15.5	103	5.2		
85	14.8	104	4.9		
86	14.1	105	4.5		
87	13.4	106	4.2		
88	12.7				

* A required minimum distribution is calculated as illustrated in the following example:

The participant reaches age 75 in 2005. As of December 31, 2004 (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 \$229,000. Based on the table above, the expected distribution period in years for a 75-year-old individual would be 22.9, so the participant would divide \$229,000 by 22.9. Through this calculation, the participant would determine that the calendar year 2005 would require a minimum distribution of \$10,000.