



Thrift Savings Plan BULLETIN for Agency TSP Representatives

Subject: Effect of Nonpay Status on Thrift Savings Plan Participation

Date: August 16, 2012

This bulletin explains how placement in nonpay status, e.g., leave without pay (LWOP) or furlough, affects an employee's Thrift Savings Plan (TSP) participation. It supersedes TSP Bulletin 03-18, Effect of Nonpay Status on Thrift Savings Plan Participation, dated August 6, 2003, and TSP Bulletin 11-4, Thrift Savings Plan Fact Sheet, Effect of Nonpay Status on Your TSP Account, dated March 28, 2011. Attachment 1 to this bulletin is a revised fact sheet that agency representatives should provide to TSP participants who enter nonpay status. Attachment 2 is a revised Form TSP-41, Notification to TSP of Nonpay Status.

The new version of Form TSP-41 represents a major revision. It is a consolidated form that replaces earlier versions of Forms TSP-41 and TSP-U-41. Previous versions of the form will not be processed after September 5, 2012. Agency or service representatives must submit Form TSP-41 to the TSP to report the nonpay status of participants who have TSP loans and to report those participants' return to pay status. The form has been modified to allow agencies to cancel a previously submitted TSP-41, or to correct a previously submitted start date or reason for the nonpay. The revised form also includes fields for the agency address, telephone, and fax number. This information will enable the TSP to notify the agency if the form has been completed incorrectly or cannot be processed. In such cases, the TSP will send notices to both the agency and the participant to inform them that the form did not process and provide the reason for the rejection.

This bulletin does not apply to participants placed on LWOP to perform an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act or to participants placed on LWOP to serve as full-time officers or employees of a union. Those participants can continue to contribute to their TSP accounts, and their employing offices must continue to deduct and send in loan payments, as explained in 5 CFR part 1620.

I. TSP Contributions

A. Contribution elections

Placement in nonpay status does not affect an employee's eligibility to make TSP contribution elections, including elections to make catch-up contributions.

(continued on next page)

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 3, Eligibility.

Federal Retirement Thrift Investment Board • 77 K Street, NE • Washington, DC 20002

Agencies must process contribution elections made by employees in nonpay status just as they process contribution elections made by employees in pay status. See TSP Bulletin 12-18, Participation in the Thrift Savings Plan, dated May 7, 2012, for more information on processing contribution elections.

B. Contribution allocations and interfund transfers

Placement in nonpay status does not affect a participant's eligibility to make a contribution allocation or an interfund transfer. The TSP will process investment requests made by participants in nonpay status just as it processes investment requests made by participants in pay status.

C. Determining contributions

1. If a participant is in nonpay status for an entire pay period, TSP employee and agency contributions are not made for that pay period. This is true even if the individual is receiving benefits from the Office of Workers' Compensation Programs (OWCP). TSP contributions, including the Agency Automatic (1%) Contributions made to the accounts of participants covered by FERS,¹ are based upon the basic pay the participant earned for the pay period. Because the basic pay is zero, TSP contributions are zero. (A participant receiving OWCP benefits is not receiving basic pay, which is defined by law in 5 U.S.C. § 8331.)

Generally, participants cannot make up TSP contributions that are missed during periods of nonpay. An exception exists, however, for civilian employees who are placed in nonpay status to perform duty with the uniformed services ("Absent – Uniformed Service" status) and who subsequently return to their civilian positions under the provisions of the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). Such employees are entitled to make up and receive contributions missed during the period of military service. See TSP Bulletin 02-7, dated April 3, 2002, for more information about TSP benefits resulting from the application of the provisions of USERRA.

2. If a participant receives some basic pay for working a portion of a pay period:
 - a. The Agency Automatic (1%) Contribution for the pay period is determined using the basic pay the employee earned for the pay period.
 - b. If the participant elected to contribute a percentage of pay, the employee contribution for the pay period is determined using the basic pay earned during that pay period.
 - c. If the participant elected to contribute a whole dollar amount, and the amount exceeds the participant's net pay for the pay period, no employee contribution is made for that pay period.

¹ FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Federal retirement systems

- d. The Agency Matching Contribution for the pay period is determined using the basic pay the participant earned and the employee contribution made for the pay period.
3. For more information about basic pay and determining TSP contributions, see TSP Bulletin 05-17, dated November 30, 2005.

II. TSP Loans

A. Effect of nonpay status

1. Participants in nonpay status are not eligible to receive TSP loans until they return to pay status. Under the provisions of the TSP loan program, loan payments must be made through payroll allotments.
2. Payroll deductions for loan payments cannot be made for pay periods during which a participant is in nonpay status, nor can they be made for pay periods during which the participant's pay is insufficient to make the full payment. Payroll offices are not to adjust the amount of loan payments; the full loan payment must be made.²
3. If the participant's nonpay status is expected to last less than 30 days, the agency is not required to notify the TSP. If the nonpay status is expected to last—or has been extended to a period of—more than 30 days, the agency must contact the TSP and provide the documentation listed in paragraph five (below).
4. If the TSP receives documentation of a participant's approved nonpay status,³ the participant's loan payments may be suspended for up to one year. However, this suspension of loan payments does not increase the maximum repayment period. A general purpose loan must still be repaid within 5 years of its issuance date and a residential loan within 15 years of its issuance date. An exception exists for civilian participants placed in "Absent – Uniformed Service" status. In such cases, loan payments may be suspended for the entire period of military service, and the maximum repayment period is extended by the period of military service.
5. The best way to notify the TSP that an employee has been placed in nonpay status is by using Form TSP-41, Notification to TSP of Nonpay Status, which must be completed, signed, and submitted by an agency official. Form TSP-41 was developed specifically for this purpose, so a correctly completed copy contains all the information needed by the TSP to process a suspension of

² Individual participants, on the other hand, may make partial loan prepayments by submitting a check or money order directly to the TSP.

³ Approved nonpay status is the result of an agency official's approval of the participant's absence from duty (e.g., furlough, leave without pay, or suspension). AWOL (absence without leave) is not an approved nonpay status.

loan payments. When the participant returns to pay status, the agency must submit a second Form TSP-41 with the participant's return date.

If an agency submits a Form TSP-41 with an incorrect reason or start date for the period of nonpay, it may submit another TSP-41 to correct that information. The form may also be submitted to cancel a previously submitted start date.

Agencies cannot cancel or correct an end date after submitting Form TSP-41, so it is extremely important not to anticipate the participant's return date.⁴ If the period of nonpay status is extended after the end date is reported to the TSP, the participant might be forced to resume loan payments while still in nonpay status.

6. Form TSP-41 is available from the TSP website. However, if for some reason Form TSP-41 cannot be obtained, a letter from the agency is acceptable documentation. The letter must be on official letterhead, and must contain the participant's name, date of birth, and Social Security number; the beginning date of the nonpay status, the type of nonpay (military or general) and the signature and title of the representative providing the information. Participants may send a copy of the SF-50, Notification of Personnel Action, documenting the nonpay status or, if being placed in "Absent – Uniformed Service" status, a copy of their military orders.
7. Each calendar quarter, the TSP conducts a sweep to identify loans that are in default by an amount equal to or greater than two and one-half payments. Participants whose loans are identified during this process are notified and given until the end of the following calendar quarter to pay the missing amount or, if in an authorized nonpay status, to provide documentation to the TSP. If the participant fails to pay the missing amount, or to provide documentation of his or her nonpay status, the loan will be closed and a taxable distribution of the unpaid balance, plus accrued interest, will be declared. This may have severe tax consequences for the participant.

The names of participants who are pending taxable distributions are listed on TSP report 19402, Pending Loan Default Information Report, which is prepared on the last day of each calendar quarter and made available through the Web-based data submission application. Agencies should review the 19402 report at the beginning of each quarter. If any employees are listed on the report who are actually in an authorized nonpay status, the agency should submit Form TSP-41. If any employees are listed on the report who are actually separated from Federal service, the agency should submit this information to the TSP.

⁴ If you send a premature end date and that date changes, you cannot use Form TSP-41 to change it. Call the ThriftLine (1-TSP-YOU-FRST—1-877-968-3778) for further instructions.

8. See the TSP booklet *Loans* (May 2012) for more information about what happens to a TSP loan when a participant enters nonpay status, what happens when loan repayment problems are found, what a taxable distribution is, and what triggers it.

B. Participant and agency responsibilities

1. Participants are responsible for repaying their loans according to the terms established by their (original or, if applicable, reamortized) Loan Agreement.
2. When a participant is placed in approved nonpay status, an agency representative should provide the participant with a copy of the fact sheet, *Effect of Nonpay Status on Your TSP Account*. If the participant has a TSP loan outstanding, the agency must notify the TSP of the nonpay status and provide all the information required by Form TSP-41.
3. When the participant returns to pay status, the agency must resume the participant's loan payments, and submit documentation to notify the TSP of the return to pay status.
4. If the participant's loan has been reamortized following his or her return to a pay status, the TSP will provide Report 19401 to the payroll office to show the amount of the new payments. The payroll office must then submit this amount.⁵

III. TSP In-Service Withdrawals

Participants who are in nonpay status may withdraw funds from their TSP account if they are age 59½ or older (an age-based withdrawal) or if they are experiencing financial hardship. The TSP booklet *In-Service Withdrawals* contains additional information about these options.



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Attachments: [Thrift Savings Plan Fact Sheet, Effect of Nonpay Status on Your TSP Account Form TSP-41, Notification to TSP of Nonpay Status](#)

⁵ As explained in the booklet *Loans*, when an agency informs the TSP of the participant's return to pay status, the loan will be reamortized automatically unless the current payment amount will repay the loan in full by the maximum time limit.

Effect of Nonpay Status on Your TSP Account

This fact sheet explains the effects a period of nonpay has on TSP loans, contributions, and withdrawals. It is for civilian employees who are placed in nonpay status (e.g., furlough or leave without pay) and for members of the uniformed services who are in the Ready Reserves and have been given approval by their command to skip scheduled drills, or whose yearly drill schedule is performed over a one- or two-month period.¹ It does not apply to employees who are in nonpay status performing an assignment with a state or local government agency under the provisions of the Intergovernmental Personnel Act (IPA) or to employees who are in nonpay status serving as full-time officers or employees of a union.²

1. Loans

After you have read this section, see the chart at the end of this fact sheet for a summary of the rules that apply to employees in nonpay status who have TSP loans.

Can I take a TSP loan while I am in nonpay status?

No. When the TSP issues you a loan, loan payments are deducted from your pay. Therefore, if you are not receiving pay, you will not be eligible for a TSP loan.

Can I take a TSP loan while I am furloughed?

If the furlough is expected to last 30 days or less—yes. If the furlough will last more than 30 days—no.

When you sign your TSP Loan Agreement, you promise to repay your loan and authorize the TSP to deduct your loan payments from your pay. The first payment is due on or before the 60th day following the loan issue date. 5 Code of Federal Regulations (CFR) § 1655.14(c). If you reasonably believe your furlough will last 30 days or less, you can truthfully sign the Loan Agreement because you reasonably

believe that your loan payments will start within the required period and that you will be able to repay your loan. However, as discussed below, should the furlough exceed 30 days, you run the risk of being required to pay taxes on all or a portion of the loan amount, as well as an additional 10% tax penalty.

What happens if my furlough exceeds 30 days?

The Internal Revenue Code (IRC) requires that TSP loans be repaid in level payments. IRC § 72(p)(2)(C). Payment through regular payroll deductions satisfies this requirement. If your loan is not repaid in level payments, the IRC requires the TSP to declare a taxable distribution. This means that the TSP will report the unpaid loan balance (including any accrued interest) as income to you. You must pay tax on this amount and, if you are under age 59½, you may also be subject to an additional 10% tax penalty. Treas. Reg. § 1.72(p)(1), Q. & A. 11. Although tax-exempt and Roth contributions that may be included in the distribution are not subject to tax, any Roth earnings included in the distribution will be subject to Federal income tax, even if you have already met the conditions necessary for your Roth earnings to be qualified.³ Therefore, you

¹ Most uniformed services members will never be in nonpay status.

² Under these arrangements, your TSP contributions will continue. If you have a TSP loan, your loan payments must also continue. See your personnel or benefits office for information about your TSP account.

³ Roth earnings become qualified (i.e., paid tax-free) when the following two conditions have been met: (1) 5 years have passed since January 1 of the calendar year in which you made your first Roth contribution **and** (2) you have reached age 59½ or have a permanent disability. **Note:** The TSP cannot certify to the IRS that you meet the Internal Revenue Code's definition of a disability when your taxes are reported. Therefore, you must provide the justification to the IRS when you file your taxes.



must be very sure that your furlough will last 30 days or less when you sign your Loan Agreement, or be prepared to make regular loan payments from your own funds, because you could face severe tax consequences if the furlough lasts longer.

What if I already have a TSP loan when I am placed in nonpay status?

Because TSP loan payments are made through payroll deductions, a period without pay will result in missed payments (unless you make payments directly from your own funds). If you go into approved nonpay status, the IRC allows you to suspend TSP loan payments for up to one year of the nonpay period.

A suspension of loan payments is not automatic. To suspend your payments, you (or your agency or service) **must** provide the TSP with proper documentation of your nonpay status.

A special rule applies if you are a civilian entering nonpay status to perform military service. In this case, you will be permitted to suspend payments on your loan until you return to pay status, even if your civilian nonpay status lasts longer than one year. (You cannot repay your civilian TSP loan by having loan payments deducted from your uniformed services pay.)

When do I need to notify the TSP that I am in nonpay status?

If your nonpay status is less than 30 days, you do not need to notify the TSP; however, you are still responsible for ensuring that your loan payments are up-to-date. If your nonpay is expected to last—or has been extended—for more than 30 days, you or your agency or service must contact the TSP and provide the documentation listed in the next section.

How do I notify the TSP that I am in nonpay status?

Ask your **agency or service** to submit one of the following to the TSP:

- Form TSP-41, Notification to TSP of Nonpay Status; or
- Form SF-50, Notification of Personnel Action; or
- a letter on agency or service letterhead, signed by an appropriate agency official (or your commander or adjutant), and containing your name, date of birth, and Social Security number; the beginning date of the nonpay status; the type of nonpay (military or

general); and the signature and title of the agency or service representative providing the information.

Or you may submit the following documentation directly to the TSP:

- Form SF-50, Notification of Personnel Action; or
- a copy of your military orders.

When the TSP receives valid documentation that has been properly completed, we will place a nonpay hold on your account. You will receive a confirmation notice when this has been done. When you receive this notice, please verify that the beginning date of the nonpay status and the type of nonpay is correct. If it is not, ask your agency or service to submit corrected information. If you do not receive a confirmation notice within two weeks of when the nonpay documentation was submitted to the TSP, contact the TSP to verify receipt of the properly completed documentation.

What happens if the TSP is not notified that I am in nonpay status?

Until the TSP receives the proper nonpay documentation, loan payments will be required. Thus, it is very important that the TSP receives one of the documents listed in the previous section as soon as you go into nonpay status. If neither you nor your agency or service notifies the TSP promptly, your loan could be declared a taxable distribution.

Once a taxable distribution has been declared, your loan will be considered closed, and you will not be permitted to repay it. Also, for 12 months following the date of the taxable distribution, you will not be eligible to apply for another loan from the account.

If, during your period of nonpay status, you receive miscellaneous civilian basic pay (e.g., for medical, annual, or military leave, or for a retroactive salary payment) in an amount large enough to cover a loan payment, your agency may deduct a loan payment from that pay.

How do I make direct payments on my loan while I am in nonpay status?

Because interest will accrue while your payments are suspended, you may want to make loan payments from your own funds directly to the TSP. You can do so by sending a personal check or money order to the TSP. Be sure to write your TSP account number and loan number on your check or money order, and send it with a TSP Loan Payment Coupon to the TSP address on the coupon. (If this information is not provided, the payment will be returned to you.) The Loan Payment Coupon is available from the TSP website (www.tsp.gov), or you can call the

TSP ThriftLine and press 3 to request it from a Participant Service Representative.

Any payments you send will be applied first to accrued interest and then to principal. When your loan is reamortized, the TSP will take into account any loan payments you made during the nonpay period.

What happens to my loan when I return to pay status within one year?

Your TSP loan payments **must** resume when you return to pay status. If you have not chosen to make loan payments while in nonpay status, your loan will be reamortized automatically when you, your agency, or your service submits any one of the following documents to inform the TSP that you have returned to pay status:

- Form TSP-41; or
- Form SF-50; or
- a letter from your agency or service, as described on page 2, and containing the date your nonpay status ended; or
- Form DD214, Certificate of Release or Discharge from Active Duty (if you were on active military duty).

If you do not receive a confirmation notice that your loan has been reamortized within two weeks of your return to pay status, please ask your agency or service to submit one of these documents to the TSP, or submit the necessary information yourself.

If your loan payment amount at the time of the reamortization is sufficient to repay your loan in full by the maximum time limit allowed by the IRC and TSP regulations (5 years for a general purpose loan or 15 years for a residential loan), your loan payment amount will not be changed, but the term of your loan will be extended (up to the maximum time limit). (See IRC § 72(0)(2)(B) and 5 CFR § 1655.5.) However, if your loan payment amount is not sufficient to repay the loan in full by the maximum time limit, your loan payment will be increased. This increase could be quite large if you did not submit any loan payments during the period of nonpay status and/or your loan was initially taken for the maximum term. You will receive a confirmation notice of the reamortization, which will provide you with your new loan payment amount.

If you are a civilian TSP participant and you went into nonpay status to perform military service, the IRC maximum time limit of your loan will be extended by the length of your military service. However, accrued interest

may still cause your loan payment amount to increase. (See IRC § 414(u)(4).)

What happens to my loan if I am in nonpay status for more than one year?

Your TSP loan payments **must** resume at the end of one year of nonpay status, **even if you still have not returned to pay status**, unless you are in nonpay status to perform active military duty. Your loan will be automatically reamortized at the end of the calendar quarter (March, June, September, or December) following the expiration of your one-year limit. Once you have received confirmation of your reamortization, **you must make loan payments directly to the TSP from your personal funds.**

Note: The TSP will not automatically remove the nonpay hold on your account when your loan is reamortized after you reach the one-year limit. This will happen only when you return to pay status and you or your agency or service submits one of the documents listed earlier.

If you do not make the loan payments on your reamortized loan, your loan will be at risk of default. At the end of each calendar quarter, the TSP will notify you if you missed more than 2½ loan payments or if your loan payments were insufficient. This notice will provide you with the amount needed (the “cure” amount) to bring your loan up-to-date. If you do not submit this amount by the required date, the unpaid balance (including any accrued interest) will be declared a taxable distribution, as described earlier.

2. Contributions

Can I contribute to my TSP account while I am in nonpay status?

No. Employee contributions to TSP accounts must be made as deductions from civilian or uniformed services pay. Therefore, if you are in nonpay status for one or more full pay periods, you cannot contribute to your TSP account during that time.

If you are a civilian employee in nonpay status to perform military service, you may make contributions to your uniformed services TSP account. Your contributions will be deducted from your uniformed services pay. In addition, when you return to civilian pay status, you may be entitled to make up TSP contributions to your civilian account. See the fact sheet TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service for more information about making up TSP contributions.

What if I am receiving Workers' Compensation?

Workers' Compensation benefits are payments made by the Department of Labor's Office of Workers' Compensation Programs (OWCP) and, by law, are not payments from which TSP contributions may be made. Consequently, while you are in nonpay status, you can neither contribute to your TSP account nor make loan payments from OWCP benefits.

I am a FERS⁴ participant. Will I receive agency contributions while I am in nonpay status?

No. Agency Automatic (1%) Contributions are calculated based on basic pay earned during each pay period. Agency Matching Contributions are calculated based on employee contributions from that basic pay. Consequently, if you are not earning basic pay for a particular pay period, you will not receive either type of agency contribution for that pay period.

I am a FERS participant performing military service. Will I receive agency contributions for the time I am in nonpay status?

If you are a civilian FERS employee in nonpay status to perform military service, you are entitled to receive restored **Agency Automatic (1%) Contributions** when you return to your civilian job. These contributions are based on the basic pay you would have received as a civilian if you had not been separated or placed in nonpay status to perform military service.

You are also entitled to restored **Agency Matching Contributions** for periods of military service if you:

- contributed to your uniformed services TSP account from military basic pay, or
- elected to make up employee contributions when you returned from military service.

See the TSP fact sheet *TSP Benefits That Apply to Members of the Military Who Return to Federal Civilian Service* for detailed information regarding your rights under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA). For an explanation of how USERRA benefits apply to your specific situation,

see your agency Human Resources office. Only your agency can determine your eligibility to receive restored agency contributions to your TSP account.

Can I make interfund transfers and contribution allocations while I am in nonpay status?

Yes. An interfund transfer is the movement of some or all of your **existing** account balance among the TSP investment funds. Therefore, you may make interfund transfers.

A contribution allocation affects the investment of **future** contributions (and loan payments) made to your account. You may make a contribution allocation while in nonpay status, but until future contributions and loan payments are made to your account (or you transfer or roll over money from an IRA or other eligible employer plan), your contribution allocation will have no effect.

3. Withdrawals

Can I make an in-service withdrawal while I am in nonpay status?

Yes. While you are in nonpay status, you can request an in-service withdrawal. There are two types of in-service withdrawals: age-based withdrawals for participants who are age 59½ or older, and withdrawals for financial hardship. If you request a financial hardship withdrawal, you must be able to certify (under penalty of perjury) that you have a financial hardship and that the amount of your request is not greater than the dollar amount of your financial hardship. Funds withdrawn are taxable, and an early withdrawal penalty tax may apply. For more information, read the TSP booklet *In-Service Withdrawals*.

Can I make a post-separation withdrawal while I am in nonpay status?

No. While you are in nonpay status, you are still a civilian employee or a member of the uniformed services. You are not eligible to make a post-separation withdrawal until the TSP is notified by your agency or service that you have separated from civilian service or the uniformed services.

⁴ FERS refers to the Federal Employees' Retirement System, the Foreign Service Pension System, and other equivalent Government retirement plans.

Summary of Nonpay Status Rules

(Applicable after the TSP has been informed of your nonpay status)

TOPIC	What you need to know	
	If you are in nonpay status for reasons other than military service	If you are in nonpay status to perform military service
Effect of Length of Nonpay Status on TSP Loans	You are allowed to miss loan payments for up to one year of nonpay status.	You are allowed to miss loan payments throughout the entire time you are in nonpay status.
Accrual of Interest	Interest continues to accrue on your loan during the nonpay period.	Interest continues to accrue on your loan during the nonpay period.
Making Loan Payments	Payments are not required during a nonpay period of one year or less. If you want to make loan payments, use a Loan Payment Coupon*, and send payments directly to the TSP.	Payments are not required during a nonpay period. If you want to make loan payments, use a Loan Payment Coupon*, and send payments directly to the TSP.
Returning to Pay Status	You or your agency or service must notify the TSP when you return to pay status, and provide the ending date of your nonpay status.	You or your agency must notify the TSP when you return to pay status, and provide documentation of the ending date of your nonpay status.
Recalculating Your Loan (i.e., reamortizing your loan)	If your loan is not up-to-date, the TSP will recalculate your loan when you return to pay status or at the end of your one-year time limit, whichever comes first.	If your loan is not up-to-date, the TSP will recalculate your loan when you return to pay status. The maximum time allowed to pay off your loan will be extended by the length of your military service.
Effect of Recalculation on Your Loan Payments	If your current loan payments will not pay off your loan by the maximum repayment period, your loan payments will increase, and you will be notified of the new payment amount.	If your current loan payments will not pay off your loan by the extended maximum repayment period, your loan payments will increase, and you will be notified of the new payment amount.
Resuming Loan Payments	If loan payments do not resume through payroll deductions after your loan has been reamortized, you must submit payments yourself (along with Loan Payment Coupons*) to keep your loan from going into default.	If loan payments do not resume through payroll deductions after your loan has been reamortized, you must submit payments yourself (along with Loan Payment Coupons*) to keep your loan from going into default.
Defaulting on a Loan	If you miss payments after you return to pay status, or your loan has been reamortized due to the one-year limit and you default on your loan, a taxable distribution will be declared, and you will be subject to tax on the taxable portion of the outstanding loan balance (including any accrued interest). Any Roth earnings included in the distribution will be subject to tax, even if your earnings were already qualified. If you are under age 59½, you may also be subject to an early withdrawal penalty tax.	If you miss payments after you return to pay status and you default on your loan, a taxable distribution will be declared, and you will be subject to tax on the taxable portion of the outstanding loan balance (including any accrued interest). Any Roth earnings included in the distribution will be subject to tax, even if your earnings were already qualified. If you are under age 59½, you may also be subject to an early withdrawal penalty tax.

* The Loan Payment Coupon (Form TSP-26) is available under Forms & Publications on the TSP website at www.tsp.gov.



THRIFT SAVINGS PLAN

NOTIFICATION TO TSP OF NONPAY STATUS (AGENCY USE)

TSP-41

This form is for **agency** use only. Full instructions are on the back.

I. INFORMATION ABOUT THE TSP PARTICIPANT

1. The nonpay status applies to the participant's: Civilian Account **OR** Uniformed Services Account

2. [Last Name] [First Name] [Middle Name]

3. [Social Security Number]

II. TYPE OF NONPAY NOTIFICATION

4. **Beginning of nonpay** — Complete when the participant enters nonpay status.

Reason for Nonpay: Military Service Other

Nonpay Start Date: [mm/dd/yyyy]

5. **End of nonpay** — Complete only after the participant returns to pay status.

Nonpay End Date: [mm/dd/yyyy]

6. **Correct** the reason for nonpay or start date previously submitted for this participant:

Reason for Nonpay: Military Service Other

New Start Date: [mm/dd/yyyy]

Complete Item 8.

7. **Cancel** a nonpay start date previously submitted for this participant.

Complete Item 8.

8. Enter the Nonpay Start Date previously submitted: [mm/dd/yyyy]

III. AGENCY CERTIFICATION — Please complete this entire section.

9. [Signature of Agency Official]

10. [Date (mm/dd/yyyy)]

11. [Last Name] [First Name] [Middle Name]

12. [Agency Name]

13. Foreign address? Check here.

14. [Street Address or Box Number for Agency Official (For a foreign address, see instructions on back.)]
[Street Address Line 2]

15. [City]

16. [State]

17. [Zip Code]

18. [Agency Telephone (Area Code and Number)]

19. [Agency Fax]

Do Not Write Below This Line



* P 1 1 5 0 0 2 2 9 1 0 1 2 0 0 0 0 0 0 0 0 0 0 0 0 P 1 1 5 *

Reproduce Locally

FORM TSP-41 (8/2012)

PREVIOUS EDITIONS OBSOLETE

TSP-41, INFORMATION AND INSTRUCTIONS — FOR AGENCY USE ONLY

Every period of nonpay for a participant must be documented by two form submissions: (1) when the period of nonpay begins and (2) at the end of a period of nonpay, when the participant returns to pay status. Failure to do this could allow a participant who is ineligible for a TSP loan to receive one, or could result in serious, costly tax consequences for a participant who already has a TSP loan.

SECTION I. Be sure to indicate whether the nonpay status applies to a civilian or a uniformed services account. Provide the participant's full name and Social Security number.

SECTION II. There are four choices in this section. **Complete only one of Items 4-7 per form submission.**

Item 4 — Beginning of nonpay: Complete this item to notify the TSP when a participant has entered a period of approved nonpay status (e.g., furlough, suspension, leave without pay — including leave without pay to perform military service — or pending resolution of a grievance or appeal). **Do not submit this form more than 30 days before the start date of the nonpay period.**

You **must** also indicate whether the nonpay period is for military service or other (nonmilitary), because the regulations are different for each — especially if the participant has a TSP loan:

Nonpay due to military service —The IRS allows a TSP loan to be placed on hold for the entire period of nonpay, and the maximum period for repaying the loan is extended.

Nonpay, nonmilitary —The IRS allows up to one year of missed loan payments. When the one-year period is over, the loan will be reamortized and loan payments must resume.

Item 5 — End of nonpay: Complete this item **only after** the participant returns to pay status. If you submit a date to end nonpay before the participant's return date and the participant does not return to pay status on the anticipated date, the participant may have to resume loan payments if he or she has a TSP loan. **Note:** You cannot cancel or correct an end date once you have submitted it. If you send a premature end date and that date changes, you cannot use this form to change it. Call the ThriftLine (1-TSP-YOU-FRST—1-877-968-3778) for further instructions.

Item 6 — Correct reason for nonpay or start date: If you previously submitted a Form TSP-41 indicating the wrong reason for the nonpay or an incorrect start date, you can correct the information here. You **must** also complete Item 8, as well as Sections I and III.

Item 7 — Cancel a nonpay start date: Check this box only if you previously submitted a Form TSP-41 indicating a nonpay start date, and the participant did not go into nonpay status. You **must** also complete Item 8, along with Sections I and III.

Item 8 — Enter the nonpay start date you previously submitted on Form TSP-41 for this participant. If you don't know this date, you can call the ThriftLine (1-TSP-YOU-FRST—1-877-968-3778) and get the information from a Participant Service Representative.

SECTION III. This section is for the signature and contact information of the agency official responsible for reporting a participant's nonpay status to the TSP. **Do not provide participant information in this section.** Complete this entire section. Full address information will allow the TSP to notify the agency when the form has been completed incorrectly or cannot be processed.

In Item 12, provide your agency name, using a standard abbreviation, if necessary.

If you have a foreign address, check the box in Item 13 and enter the foreign address as follows in Items 14-15:

First address line: Enter the street address or post office box number.

Second address line: Enter the city or town name, other principal subdivision (e.g., province, state, county), and postal code, if known. (The postal code may precede the city or town.)

City/State/Zip Code fields: Enter the entire country name in the City field; leave the State and Zip Code fields blank.

If you use an **Air/Army Post Office (APO) or Fleet Post Office (FPO)** address, enter that address in the two available address lines (include the unit designation). Enter APO or FPO, as appropriate, in the City field. In the State field, enter AE as the state abbreviation for Zip Codes beginning with 090-098, AA for Zip Codes beginning with 340, and AP for Zip Codes beginning with 962-966. Then enter the appropriate Zip Code.

Either mail the completed form to:
Thrift Savings Plan
P.O. Box 385021
Birmingham, AL 35238

Or fax the form to: **1-866-817-5023**