Thrift Savings Plan
BULLETIN for Service TSP Representatives

Subject: TSP Contribution Limits for 2014

Date: November 25, 2013

The Internal Revenue Service (IRS) has announced the contribution limits for 2014:

Limit Name	IRC	2013 Limit	2014 Limit
Elective Deferral Limit	§ 402(g)	$17,500	$17,500
Catch-up Contribution Limit	§ 414(v)	$5,500	$5,500
Annual Addition Limit	§ 415(c)	$51,000	$52,000

These limits affect the amount of contributions participants can make to the Thrift Savings Plan (TSP) for the year. TSP contributions are reported by pay date, which is established by the participant's employing agency and represents the date employees receive payment for a particular pay period. The pay date determines the year for which contributions are applied to the IRS contribution limits, and may be different than the date on which contributions are actually received and posted to the account.

Elective Deferral Limit (IRC § 402(g))

Participants may elect to contribute any percentage of basic, incentive, special, and bonus pay to the TSP. However, the TSP is not allowed to accept a contribution that exceeds the elective deferral limit. If the service submits a contribution that exceeds the elective deferral limit, the TSP will reject the entire employee contribution. The TSP will also report to the payroll office the amount the TSP system can accept that will place the participant's total employee contributions at the elective deferral limit. When a participant reaches the elective deferral limit, the TSP will notify the payroll office, instructing it to stop submitting traditional (tax-deferred) **and/or** Roth contributions and to restart them with the first paycheck of the following year. Participants who wish to make a TSP contribution for each pay date throughout the year may want to use the Elective Deferral Calculator located in the Planning & Tools section of the Roth website at tsp.gov.

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Inquiries: Questions concerning this bulletin should be directed to the Federal Retirement Thrift Investment Board at **202-942-1450**.

Chapter: This bulletin may be filed in Chapter 2, General Information.

The combined total of traditional (tax-deferred) and Roth contributions made during the calendar year cannot exceed the elective deferral limit ($17,500 in 2014). However, the effective deferral limit does not apply to traditional TSP contributions made from pay subject to the Combat Zone Tax Exclusion (CZTE), catch-up contributions, or amounts transferred or rolled over into the TSP.

Catch-Up Contributions Limit (IRC § 414(v))

Participants who will make contributions to the TSP, or certain other employer sponsored plans, up to the maximum amount allowed by the IRC, and who will be age 50 or older in 2014, may make a separate election to contribute an additional amount, called catch-up contributions. These contributions may be traditional (tax-deferred) **and/or** Roth, but do not count toward the elective deferral limit described above. Eligible participants elect a whole dollar amount from basic pay. A new election must be made each year. Age-eligible participants who elect to contribute the maximum amount of contributions allowed under the elective deferral limit, and to make a catch-up contribution, have the opportunity to contribute up to $23,000 in 2014 to their TSP accounts.

Service members may elect to make catch-up contributions from taxable pay as either traditional (tax-deferred) or Roth. Members receiving tax-exempt pay may only elect Roth catch-up contributions. The combined total of traditional (tax-deferred) and Roth catch-up contributions made during the calendar year cannot exceed the catch-up limit ($5,500 in 2014).

Limits for Participants with Both Civilian and Uniformed Services TSP Accounts

For participants who contribute to both a civilian and a uniformed services TSP account during the year, the elective deferral and catch-up contribution limits apply to the combined amounts of traditional (tax-deferred), Roth, and Roth tax-exempt contributions in both accounts. During the year, the TSP will apply the limits separately to each account. In January of the following year, the TSP will determine whether either limit was exceeded in the combination of the two accounts. If the participant exceeds a limit, the TSP will deduct the excess amount and attributable earnings pro-rata from the participant's uniformed services TSP account, and will send the participant a check for this amount. The participant must report the traditional (tax-deferred) portion of contributions refunded to him or her as income for the year in which he or she made the contributions. Refunded Roth contributions made from taxable pay are already reported as taxable income on the IRS Form W-2 generated by the agency or service. Refunded Roth contributions made from tax-exempt pay are excluded from taxable income on the IRS Form W-2 generated by the service. The participant must report any earnings refunded to him or her as income for the year they are returned.

Payroll offices must not change the deferral amounts in block 12 of IRS Form W-2 for participants who exceed the elective deferral or catch-up contributions limit by contributing to a civilian and a uniformed services TSP account. Instead, the TSP will send the participant an IRS Form 1099-R for the excess contributions and a separate IRS Form 1099-R for the earnings in January following the year the excess contributions were returned.

Limits for Participants Who Contributed to a Similar Employer Plan and the TSP

The elective deferral and catch-up limits apply to contributions participants make to the TSP and some other employer sponsored defined contribution plans (e.g., 401(k), 403(a), or 403(b) plans). Participants who exceed these limits by contributing to more than one employer plan may request a refund of excess deferrals from the TSP for the amount of contributions above these limits. In January 2014, the TSP will make available Form TSP-44, Request for Refund of Excess Contributions, and the Fact Sheet, Annual Limit on Elective Deferrals. The TSP must receive a participant's request for a refund of 2013 excess elective deferrals no later than March 15, 2014. The TSP cannot process requests received after this date. Services should refer affected participants to the TSP website for more information.

Annual Addition Limit (IRC § 415(c))

TSP participants who have a uniformed services TSP account are subject to the annual addition limit under section 415(c) of the IRC. This limit applies when a participant contributes to his or her uniformed services TSP account while deployed in a designated combat zone. When this occurs, the member receives tax-exempt pay and, therefore, makes tax-exempt contributions to the TSP. These traditional tax-exempt contributions are included, but not limited by the elective deferral limit. Instead, traditional tax-exempt contributions are limited by the IRC 415(c) annual addition limit: $51,000 in 2013, and $52,000 in 2014. When a participant becomes subject to the annual addition limit, the total traditional (tax-deferred), Roth, traditional tax-exempt contributions, and Roth tax-exempt contributions to the participant's uniformed services and civilian TSP accounts are part of this limit. If the participant has Agency Automatic (1%) and Matching Contributions, these also count toward the annual addition limit. Although Roth contributions are part of the annual additions limit, participants' Roth contributions may not exceed the elective deferral limit for the year in which they are made. The catch-up contribution limits described above are not included in the annual addition limit.

The TSP will apply the same process to the IRC 415(c) annual addition limit as it does to returning other excess contributions; it will return the excess amount from the contributions made to the participant's uniformed services TSP account. The TSP will first return tax-exempt contributions. If the tax-exempt contributions were less than the amount the TSP is required to return, the TSP will return the remainder of the excess amount pro-rata from the participant's tax-deferred and Roth contributions. The amount returned will include earnings attributable to these excess contributions. The participant must report the traditional (tax-deferred) amount returned as income for the year in which the contributions were made. The participant must report the earnings as income for the year the TSP returns the earnings. Tax-exempt contributions returned to the participant are not taxable as income. Roth contributions made from taxable pay returned to the participant were subject to taxation by the agency or service when they were deducted from pay and are already reflected as taxable income earned on the IRS Form W-2 generated by the agency or service. Roth contributions made from tax-exempt pay returned to the participant were excluded from taxation by the service when they were deducted from pay and are already reflected as tax-exempt income on the IRS Form W-2 generated by the service. However, the earnings on these contributions are taxable for the year the TSP returns them.

Payroll offices must not change the TSP contribution amounts in block 12 of IRS Form W-2 for participants who exceed the annual addition limit. Instead, the TSP will send the participant an IRS Form 1099-R for the excess contributions and a separate IRS Form 1099-R for the earnings in January following the year the excess contributions were returned.

Participants who would like more information on how the limit applies to their civilian and uniformed services TSP accounts should refer to the Contribution Limits section under Plan Participation on the TSP website.

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