



# Thrift Savings Plan

## **Change in Required Minimum Distribution Age:**

The SECURE Act, which passed on December 20, 2019, changes the age at which you have to start taking required minimum distributions from 70 ½ to 72. The law excludes people who turned 70 ½ on or before December 31, 2019. We are awaiting guidance from the IRS on how this new law should be implemented. Please be aware that the resource you're trying to access has not been updated for the new law.

# Important Tax Information About Payments From Your TSP Account

Before making any decisions about withdrawing money from your Thrift Savings Plan (TSP) account, you should review the important information in this notice. Because tax rules are complex, you may also wish to speak with a tax advisor. 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*. (See Section 6 of this notice for information on how to get these and other documents.)

## 1. Definitions and Other Important Things to Understand

To understand the tax implications of getting money out of your TSP account, it's important to know what we mean by the following terms right from the beginning:

- **“Distribution,” “payment,” and “withdrawal”** all mean the same thing: money you receive from your TSP account.
- **“Earnings”** means 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”** refers to various employer-sponsored retirement plans, including those qualified under section 401(a) of the Internal Revenue Code, 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”** simply means a type of distribution from the TSP that the IRS allows to be rolled over into another retirement plan or IRA. See the table at the end of this notice, which lists the payments that fall into this category.
- **“Roth”** refers to contributions you've elected to make to your TSP account with pay that's already been taxed. You do not pay income tax on the portion of your

withdrawals that comes from your Roth contributions. **Note for those who receive automatic or matching contributions:** All contributions from your agency or service go into your traditional balance, even those that match Roth contributions. The Roth balance of your account is divided between your contributions and the earnings on those contributions, which may receive a different tax treatment upon distribution than the contributions themselves, depending on whether the distribution is “qualified.”

### ◆ Qualified Distribution Defined

If a distribution is “qualified,” it means your Roth earnings are distributed tax-free. For a distribution to be qualified, BOTH of these statements must be true:

1. Five years have passed since January 1 of the first year you made Roth contributions to your TSP account.
2. You are 59½ years of age or older OR you have a permanent disability<sup>1</sup> OR you have died. (In case of death, the 5-year requirement remains the same; your beneficiary does not have to wait an additional 5 years for a withdrawal to be considered qualified.)

If either requirement has not been met at the time of your withdrawal, then the distribution is not qualified. So the earnings portion of the payment

<sup>1</sup> 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.



# Tax Notice

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will be taxed as income—and, if you're under 59½, may be subject to the early withdrawal penalty (*see Subsection 5b of this notice*)—unless you transfer or roll over the payment to a Roth IRA or Roth account maintained by an eligible employer plan. If you do transfer or roll over the payment, you will not have to pay taxes (including the early withdrawal penalty) on the earnings at that time. Also, you will not have to pay taxes on payments that later become qualified distributions. (*See Section 4 of this notice for information about transfers and rollovers.*)

- **“Traditional”** refers to everything in your account that is not in your Roth balance. It includes all your non-Roth contributions and any contributions made by your employer, regardless of whether they were matching Roth or traditional contributions. You've deferred paying taxes on this portion of your account, so funds withdrawn from this part of your account are treated as income for tax purposes. The earnings on your traditional balance are also treated as traditional.
- **“Transfer” and “rollover”** are the two ways you can move funds from one retirement plan to another. A transfer, sometimes called a “direct rollover,” is moved directly between accounts; a rollover is first sent to you before you deposit it into another retirement account, generally within 60 days of receiving it. (*See Section 4 of this notice for more information.*)

## Proportional Withdrawals

Another important concept to understand at the outset is that **except for withdrawals that you've specified as all-traditional or all-Roth, withdrawals are taken proportionally**. For example, if the Roth balance makes up 30% of your total TSP account, every withdrawal you make will be 30% Roth. And if that Roth balance contains 40% contributions and 60% earnings, then 40% of the Roth portion of your withdrawal will be treated as contributions and 60% will be treated as earnings. The same is true of tax-exempt pay and the earnings on contributions made from it.

## Tax Reporting

We report all TSP distributions to the IRS, 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.

## 2. Do You Have 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 below.

### Your Traditional Balance

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

### Your Roth Balance

If you have a Roth balance, 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 withdrawals from this pool of money are not taxed. The same is true of the portion of your withdrawal that comes from the earnings pool **but only if the distribution is qualified**. (*See “Qualified Distribution Defined” in Section 1 of this notice.*)

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 Subsection 5b of this notice*) 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 of contributions are not taxed, and the earnings are only taxed if the distribution is 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 balances 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. And the Roth balance includes \$15,000 in contributions and \$25,000 in earnings. You take a withdrawal of \$1,000 from your account. You're 57 years old and you do not have a permanent disability. You do not roll over or transfer any of your payment into 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 withdrawal 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 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. (*See Subsection 5b of this notice for information about the early withdrawal penalty.*) 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. It is also subject to the early withdrawal penalty unless you are covered by an exception. (*See Subsection 5b.*)

## 3. What We Withhold for Taxes

In most cases, we are required to withhold part of the taxable portion of your distribution for federal income tax. With certain types of payments, you may request an increase or decrease in the percentage withheld or a waiver of withholding altogether. The chart at the end of this booklet, "Tax Treatment for TSP Payments," shows the withholding rates and the rules that apply to each type of TSP payment. If you are eligible and want to change the standard withholding, you may do so by completing the tax withholding section on your withdrawal request form.

If you elect a post-separation withdrawal that uses a combination of withdrawal methods (e.g., an annuity and installment payments), each type of distribution is treated separately and may be subject to different tax withholding rules.

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. We report all TSP distributions to your state of residence at the time of the payment (if that state has an income tax). See a tax advisor or state or local tax officials for specific information.

## 4. Transferring or Rolling Over Your TSP Distribution

Remember, **transfers** go directly from the TSP to your IRA or eligible employer plan. **Rollovers** are payments you've received from the TSP, which you then deposit (generally within 60 days) to your IRA or eligible employer plan.

Before you decide to transfer or roll over your TSP account, you should find out whether your IRA or plan accepts transfers or rollovers; the minimum amount it will accept; and whether tax-exempt contributions or Roth contributions, if applicable, will be accepted.

Keep in mind that the plan you choose to transfer or roll your funds into 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 balance are explained later in this section.

Not all types of distributions are eligible to be rolled over or transferred. Consult the table at the end of this booklet, "Tax Treatment for TSP Payments," to see which types are considered "eligible rollover distributions."

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

### From a Traditional Balance

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

## Transfers

If you choose to have us **transfer** part or all of your eligible rollover distribution, the following rules apply:

- The transfer 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 transfer to a Roth IRA will be taxed in the current year. No income tax will be withheld at the time of the transfer, so you may need to pay estimated taxes to ensure you pay enough income tax during the year.

## Rollovers

If we make an eligible rollover distribution from your traditional balance directly to you and you decide to do a **rollover** to a traditional IRA, Roth IRA, or eligible employer plan yourself, 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 withdrawal 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 withdrawal, 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 withdrawal within 60 days,<sup>2</sup> the portion not rolled over will be taxed and will also be subject to the 10% early withdrawal penalty if you are under age 59½. (See *Subsection 5b of this notice for exceptions.*)
- If you roll over your payment from the traditional balance of your account into a Roth IRA, the full amount rolled over will be taxed in the current year.

**Special note regarding tax-exempt money:** We can only transfer tax-exempt pay to an IRA or eligible employer plan if the plan certifies that it accepts it. Not all of them do, so check with your IRA trustee or plan administrator.

If you request a transfer of an eligible rollover distribution from your traditional balance and that balance includes tax-exempt funds, we will always transfer 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 by check in the current year. We will only transfer tax-exempt money if your requested transfer amount is more than the taxable portion of your withdrawal. If that's the case, then we will do one of two things:

- If the IRA or eligible employer plan certifies that it accepts it, we'll transfer enough of your tax-exempt balance to complete your request.
- If the IRA or eligible employer plan does **not** certify that it accepts tax-exempt funds, we will send you, in the form of a check, whatever portion of your request we could not fulfill with your taxable funds.

## From a Roth Balance

You may transfer or roll over an eligible rollover distribution from your Roth balance to a Roth IRA or a Roth account maintained by an eligible employer plan that will accept transfers and 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 balance. Differences include the following:

- When you transfer or roll over your TSP Roth balance into 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.
- You do not have to take a distribution from a Roth IRA during your lifetime; your Roth TSP balance, like your traditional balance, is subject to required minimum distributions when you turn 70½.
- Distributions from a Roth IRA can only be rolled over or transferred to another Roth IRA.
- Distributions from Roth IRAs are paid first from contributions, then from earnings.

## Transfers

If you choose to have us **transfer** part or all of an eligible rollover distribution from your Roth balance, the following rules apply:

- The transfer of your Roth balance will not be taxed in the current year, and no income tax will be withheld.

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



Subsequent distributions from your Roth IRA or Roth eligible employer account may be taxed and subject to the 10% early withdrawal penalty (see *Subsection 5b*) if that distribution is not qualified. (See “*Qualified Distribution Defined*” in *Section 1* of this notice.)

- If part of your Roth balance is taxable (nonqualified distribution) we will only transfer nontaxable money if the taxable portion of the withdrawal does not satisfy your transfer election. If you choose to have us transfer only a portion of your payment, any taxable portion will be transferred first. This helps reduce the amount of tax that you owe on any portion of the distribution that you receive as a direct payment in the current year.

## Rollovers

If we pay an eligible rollover distribution directly to you and you decide to do a **rollover** to a Roth IRA or Roth account maintained by an eligible employer plan yourself, 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 Distribution Defined*” in *Section 1* of this notice.) These restrictions do not apply to rollovers into Roth IRAs.
- If your payment is not a qualified Roth 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.
- 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, subject to the early withdrawal penalty. (See *Subsection 5b* of this notice for exceptions.)

## 5. Other Tax Rules

### a. Repayment of Plan Loans

The TSP must declare a **taxable distribution** on the **entire** unpaid balance of your loan, including any accrued interest, if any of the following are true:

- You’ve missed a loan payment and have not submitted the amount needed to bring your payments up to date within the required time period.
- You have not repaid your loan in full when you separate from federal service.

This means that the IRS will consider the unpaid balance of your loan to be taxable income. In addition, if you are under age 59½, you may have to pay a 10% early withdrawal penalty tax on the taxable portion of the loan. (See *Subsection 5b* of this notice.) Once a taxable distribution has been declared, the loan is closed and you will not be allowed to repay it.

If any part of your loan is associated with **tax-exempt or Roth contributions**, those contributions will **not** be subject to tax. Earnings on tax-exempt contributions in a traditional balance are taxable. The following conditions apply to Roth **earnings**:

- If the taxable distribution is declared because you’ve separated from federal service, only Roth earnings that are not qualified will be subject to tax.
- If the taxable distribution is declared for another reason (such as a default on your loan), the Roth earnings included in the distribution will be subject to tax, even if you have already met the conditions necessary for your distribution to be qualified. (See “*Qualified Distribution Defined*” under *Section 1* of this notice.)

If the taxable loan distribution was declared because you separated from federal service, you may be able to roll it over (within 60 days of the distribution date<sup>3</sup>) to an IRA or an eligible employer plan. If you have already spent the loan amount, you can still roll it over using other personal funds. In other words, you would pay to the IRA or eligible employment plan the amount that was declared a taxable distribution. (See *the rollover rules in Section 4*.) If you are able to do a 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.

Consult the IRS or a tax advisor for information and advice if your loan is declared a taxable distribution.

- You have failed to repay your loan in accordance with your loan agreement.

<sup>3</sup> If your loan was in good standing when you separated from service, you may have until your tax return due date (including extensions), for the tax year during which the distribution occurs to complete your rollover. In addition, the IRS may waive the 60-day rollover requirement in certain situations if you missed the deadline because of circumstances beyond your control.

### b. Additional 10% Early Withdrawal Penalty Tax

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

- paid after you separate from service during or after the year you reach age 55 (or the year you reach age 50 if you are a public safety employee as defined in section 72(t)(10)(B)(ii) of the Internal Revenue Code);
- annuity payments;
- automatic enrollment refunds;
- made as a result of total and permanent disability;<sup>4</sup>
- made because of death;
- made from a beneficiary participant account;
- made in a year you have deductible medical expenses that exceed 10% of your adjusted gross income (7.5% if you or your spouse is 65 or over);
- ordered by a domestic relations court; or
- paid as 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.

**Members of the uniformed services:** The penalty tax does not apply to any portion of a TSP distribution (including a 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.

### c. Receiving Installment Payments

If you are receiving installment payments, the following events could result in a change to the withholding rules for the taxable portion of your payments:

- You change the dollar amount or frequency of your payments.
- You change from payments based on life expectancy to payments of a fixed dollar amount.
- You transfer money into your TSP account.
- You take a withdrawal in addition to your installment payments.

The withholding rules will be determined according to whether your new payments are eligible rollover distributions or periodic payments (based on your account balance at the time the payment changes) and whether the payment is taxable, tax-free, or a combination of the two.

Remember that changing the amount or frequency of your installment payments could have tax consequences. Consider talking to a tax advisor before making such a change.

In addition, changing from installments based on life expectancy to a fixed installment amount may make you liable for the 10% penalty tax on the payments you previously received, if you do so within 5 years of beginning your payments or before you are age 59½. To learn more, see IRS Publication 575, *Pension and Annuity Income*.

### d. Required Minimum Distribution if You Are Over 70½

If you are over age 70½ and are separated from federal service, you must begin receiving IRS required minimum distributions by April 1 of the year following the year you turned 70½. A required minimum distribution is a minimum amount of the money in your account that you must receive each year. For more information, see the TSP tax notice *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*.

**Beneficiary participants:** Special rules apply to required minimum distributions from beneficiary participant accounts. To learn more, see the TSP tax notice *Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants*.

<sup>4</sup> 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.

**e. *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.

**f. *Rules for Nonresident Aliens or Beneficiaries of Nonresident Aliens***

If you are a nonresident alien and you do not have the TSP transfer your payment to a U.S. IRA or a U.S. employer plan, we are generally required to withhold 30% (instead of 20%) of the payment for federal income taxes. If the amount withheld exceeds the amount of tax you owe, you may request an income tax refund by filing IRS Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*, and attaching your IRS Form 1042-S, *Foreign Person's U.S. Source Income Subject to Withholding*. See IRS Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting*, for claiming that you are entitled to a reduced rate of withholding under an income tax treaty. For more information, see also TSP tax notice *Special Tax Withholding Rules for Thrift Savings Plan Payments to Nonresident Aliens*, IRS Publication 519, *U.S. Tax Guide for Aliens*, and IRS Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*.

**g. *Death Benefit Payments and Court-Ordered Payments***

For information on the tax treatment of death benefit payments to an individual who is not the surviving spouse of a TSP participant, read the TSP tax notice *Important Tax Information About Thrift Savings Plan Death Benefit Payments*.

For information on the tax treatment of court-ordered payments, read the TSP tax notice *Tax Treatment of Thrift Savings Plan Payments Made Under Qualifying Orders*.

## **6. Resources**

TSP publications are available at [tsp.gov](http://tsp.gov) or by calling 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 found on [tsp.gov](http://tsp.gov). IRS publications are available from your local IRS office, on the IRS website at [www.irs.gov](http://www.irs.gov), or by calling 1-800-TAX-FORM.



# Tax Treatment for TSP Payments<sup>1</sup>

Type of TSP Payment	Type of Payment for IRS Purposes	May I Transfer or Roll Over the Payment?	What Is the Withholding Rate?	May I Increase Withholding?	May I Decrease Withholding?	May I Waive Withholding?
Automatic enrollment refund <sup>2</sup>	Non-periodic payment	No	10%	Yes—complete tax withholding section of Form TSP-25.		Yes—complete tax withholding section of Form TSP-25.
Single withdrawal (partial or total) by a separated or beneficiary participant	Eligible rollover distribution	Yes	20%	Yes—complete the withholding section of your withdrawal request.	No	No
Installment payments for less than 10 years (fixed dollar amount) <sup>3</sup>	Periodic payments	No	As if married with 3 dependents	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.
Installment payments for 10 years or more (fixed dollar amount) <sup>4</sup>	Periodic payments	No	As if married with 3 dependents	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.
Installment payments based on the IRS life expectancy table	Periodic payments	No	As if married with 3 dependents	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.
Automatic cash-out (less than \$200)	Eligible rollover distribution	Rollover only	None	Not applicable	Not applicable	Not applicable
Required minimum distribution payments <sup>5</sup>	Non-periodic payments	No	10%	Yes—complete line 3 of IRS Form W4-P or, if applicable, the withholding section of your withdrawal request.	Yes—complete line 1 of IRS Form W4-P or, if applicable, the withholding section of your withdrawal request.	Yes—complete line 1 of IRS Form W4-P or, if applicable, the withholding section of your withdrawal request.
Age-based in-service “59½” withdrawal	Eligible rollover distribution	Yes	20%	Yes—complete the withholding section of your withdrawal request.	No	No
Financial hardship in-service withdrawal	Non-periodic payment	No	10%	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.	Yes—complete the withholding section of your withdrawal request.
Loan taxable distribution—default by separation	Eligible rollover distribution	Rollover only (using personal funds)	Not applicable—money already paid	Not applicable	Not applicable	Not applicable
Loan taxable distribution—default 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 <sup>6</sup>	Eligible rollover distribution	Yes	20%	Yes—complete the withholding section of your payment method election form.		
Court order payment (not to current or former spouse)	Non-periodic payment		10%	No	No	No
IRS tax levy; Restitution order (MVRTA)	Eligible rollover distribution	No	20%			
Death benefit from a beneficiary participant account	Non-periodic payment		10%	Yes—complete the withholding section of your request for payment form.		Yes—complete the withholding section of your request for payment form.
Death benefit to a non-spouse <sup>6</sup>	Eligible rollover distribution	Only to an “inherited” IRA	20%	Yes—complete line 3 of IRS Form W4-P.		No
Annuity purchase	Payments will be reported for tax purposes by the annuity provider. The annuity provider will send information to participants about making a withholding election.					

<sup>1</sup> Withholding only applies to the taxable portion of the payment (e.g., the earnings portion of a nonqualified Roth distribution.)

<sup>2</sup> Withholding rules that apply to refunds of automatic enrollment contributions paid out as post-separation withdrawals (TSP-99) are based on the withdrawal option chosen in the withdrawal request.

<sup>3</sup> If the payment is satisfying the IRS required minimum distribution amount, it is treated as a non-periodic payment. See the “Required minimum distribution payments” section of this chart.

<sup>4</sup> Payments are treated as periodic even if they are satisfying the IRS required minimum distribution amount.

<sup>5</sup> Required minimum distributions are not treated as non-periodic payments (for IRS purposes) if they are part of installment payments that are expected to be paid over 10 years or more or are part of installment payments that are based on the IRS life expectancy table. In these cases, taxes are based on withholding for a married person with 3 dependents, under the IRS withholding rules for periodic payments.

<sup>6</sup> These payments are treated differently when they are made from a beneficiary participant account. They are non-periodic payments; cannot be transferred or rolled over; and have a default 10% withholding, which can be increased or waived but not decreased.