



Tax Treatment of Thrift Savings Plan Payments to Nonresident Aliens and Their Beneficiaries

Except as noted below for uniformed services accounts, this notice summarizes tax rules that apply to Thrift Savings Plan (TSP) payments made to nonresident aliens and beneficiaries of nonresident aliens.

A **nonresident alien** is an individual who is neither a U.S. citizen nor a resident of the United States.¹ A **resident alien** is an individual 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 Internal Revenue Service (IRS) “substantial presence” test for a calendar year.² 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*.

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

For purposes of this notice, the following additional definitions may be helpful:

- A **participant** is a Federal employee or a member of the uniformed services (or a former Federal employee or member of the uniformed services) who has an account in the TSP.
- A **beneficiary** is a person entitled to the TSP account of a deceased participant.
- A **current or former spouse** is an individual who is (or was) a spouse of a participant and who receives a payment under a qualifying order.
- **Taxable income** means an amount of money received from the TSP by a participant or beneficiary which is subject to U.S. income tax.
- **Tax withholding** is money that is withheld from a TSP distribution and paid to the IRS as a credit towards U.S. income tax.

¹ The “United States” includes the 50 states and the District of Columbia.

² This is commonly referred to as the “green card” test.

- An **eligible rollover distribution**³ is a distribution from the TSP to a participant, or to a participant’s spouse or former spouse, which is **not** (1) a monthly payment that is calculated based on life expectancy, (2) a monthly payment made over a period of at least 10 years, (3) an IRS required minimum distribution, or (4) a financial hardship withdrawal.
- A **traditional IRA** is an individual retirement account described in § 408(a) of the Internal Revenue Code (I.R.C.) or an individual retirement annuity described in I.R.C. § 408(b). (It does not include a Roth IRA, a SIMPLE IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).)
- An **eligible employer plan** includes a plan qualified under I.R.C. § 401(a), including a § 401(k) plan, profit-sharing plan, defined benefit plan, stock bonus plan, and money purchase plan; an I.R.C. § 403(a) annuity plan; an I.R.C. § 403(b) tax-sheltered annuity; and an eligible I.R.C. § 457(b) plan maintained by a governmental employer.
- A **transfer** occurs when you instruct the TSP to send all or part of a payment directly to a traditional IRA or an eligible employer plan, instead of issuing it directly to you.
- A **rollover** occurs when the TSP makes a distribution to you (which includes the amount of the check you receive plus the amount withheld) and you deposit any part of that distribution into a traditional IRA or eligible employer plan within 60 days of the date you receive it.

Special Note for the Rollover or Transfer of Uniformed Services Accounts

Tax-exempt balances (i.e., contributions from combat zone pay) may be transferred or rolled over into

³ Any payments that are not eligible rollover distributions are either “periodic” or “non-periodic” payments for tax withholding purposes. If you make a financial hardship in-service withdrawal, take minimum distribution payments, or take monthly payments that will last 10 years or more or that will be computed according to the IRS life expectancy table, see the TSP tax notice “Important Tax Information About Payments From Your TSP Account” for detailed information.