



Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions

Except as noted below for the uniformed services and in Section 5, “Transferring or Rolling Over Your TSP Payment,” 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.

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.

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**.

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