

# Tax Information About TSP Withdrawals and Required Minimum Distributions for Beneficiary Participants

This notice provides an overview of how required minimum distributions (RMDs) apply to you as the holder of a beneficiary participant TSP account. Because the tax rules covered in this notice are complex, you may also wish to consult a tax advisor. **Note:** The required minimum distribution rules discussed in this tax notice only apply to a TSP beneficiary participant account (i.e., an account inherited by the spouse beneficiary of a deceased civilian or uniformed services TSP participant). If you have a TSP civilian account or a uniformed services account, refer to the TSP tax notice *Important Tax Information About Your TSP Withdrawal and Required Minimum Distributions*. Please also see the TSP tax notice *Important Tax Information About Payments From Your TSP Account* for an overview of TSP tax matters.

## 1. What are required minimum distributions?

The Internal Revenue Code (IRC) requires that you begin receiving annual distributions from your beneficiary participant account within certain deadlines. Your entire TSP account balance—including both traditional and Roth—is subject to these required minimum distributions (RMDs). We calculate any RMDs to be paid **in the year of the participant's death** using the *deceased participant's* age and prior year-end account balance and the IRS Uniform Lifetime Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-2, as published in the Federal Register on April 17, 2002. **In the years following the deceased participant's death**, we calculate the annual amount of your RMD using *your age*, your prior year-end account balance, and the Single Life Table, Treas. Reg. § 1.401(a)(9)-9, Q&A-1, as published in the Federal Register on April 17, 2002.<sup>1</sup> (See the tables at the end of this notice.)

**Note:** If your TSP account record has incorrect dates for your spouse's birth or death, you may not receive a payment that satisfies the minimum distribution requirement by the applicable deadline in your spouse's year of death. If this happens, you may be subject to an IRS penalty tax of 50% on the amount that was not paid to you on time. This could also happen in the years following your spouse's year of death if your TSP account has an incorrect date of birth for you. To avoid this penalty, you must be sure that the information in your TSP record is correct. Check the welcome letter that you received when we established your beneficiary participant account to verify that your date of birth, your spouse's date of birth, and your spouse's date of death are correct. Call us at the number provided in section 6 of this notice to make corrections.

<sup>1</sup> If you have more than one TSP account, the RMD is calculated separately for each account.

## 2. When do I need to begin receiving RMDs?

**Your spouse's required beginning date.** The IRS term “required beginning date” does **not** refer to the date that you, the beneficiary participant, must begin receiving RMDs. It's needed in order to determine that date, but they are not the same thing.

**Important:** Because of a law that went into effect January 1, 2020, your spouse's required beginning date depends on whether he or she was born before July 1, 1949, or on or after that date. If your spouse was born before July 1, 1949, the required beginning date is April 1 of the year following the year he or she reaches the age of 70½ or separates from federal service, whichever is later. If your spouse was born on or after July 1, 1949, the required beginning date is April 1 of the year following the year he or she reaches the age of 72 or separates from federal service, whichever is later.

Throughout this publication, we will refer to age 72. **But if your spouse was born before July 1, 1949, remember to substitute 70½ whenever you see 72.**

## Examples

1. Your spouse was born on November 1, 1949, and retired from federal service on December 31, 2009, at the age of 60. That makes the required beginning date April 1, 2022, since your spouse turns 72 on November 1, 2021, and retired before then.
2. Your spouse was born on November 1, 1949, and retires from federal service on December 31, 2023, at age 74. That makes the required beginning date April 1, 2024. It doesn't matter when your spouse turned 72 since he or she continued working past that time.
3. Your spouse was born on November 1, 1949, and retires from federal service on January 2, 2024, at age 74. That makes the required beginning date April 1, 2025. Note that this example



# Tax Notice

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is exactly the same as the previous one except that your spouse retires two days later, but the required beginning date is a year later. That's because the required beginning date is **April 1 of the year after** separating from service (or turning 72 if that was later), not the next April 1 to come along.

**The date on which you, the beneficiary, must begin receiving RMDs depends on whether your spouse died before or on/after his or her required beginning date.**

### ***Participant's Date of Death Is Before Required Beginning Date***

Table 1 shows the three possible scenarios in this category and the deadline by which you, as the beneficiary participant, must begin receiving RMDs. Remember, if your spouse was born before July 1, 1949, substitute 70½ for 72 in these scenarios.

*Table 1. Beneficiary RMD deadlines when spouse dies before required beginning date*

<b>If, at the time of death,</b>	<b>you must begin receiving RMDs by</b>
your spouse was younger than 72 and would not have turned 72 before the end of the year,	December 31 of the year your spouse would have turned 72.
your spouse turned 72 that year, or would have turned 72 before April 1 of the following year, and had already separated from federal service,	December 31 of the year following the year of your spouse's death. <b>Note:</b> It makes no difference if your spouse had already satisfied the RMD for the year he or she turned 72 prior to the required beginning date.
your spouse was 72 or older and had not separated from federal service,	December 31 of the year following the year of your spouse's death.

In the scenarios described in Table 1, you must continue to receive distributions by December 31 of each subsequent year. We will base all of your RMDs on your age, not your spouse's.

### ***Participant's Date of Death Is On or After Required Beginning Date***

If your spouse dies after the required beginning date, the deadline for your first RMD as a beneficiary participant depends on whether your spouse satisfied the RMD for the year of death:

- If the RMD had been met, then your first RMD is due December 31 of the year following the year of your spouse's death, and it's calculated based on your age, not your spouse's.
- If the RMD had not been met, then you still need to receive the RMD by December 31 of the year of death. In this case, it's calculated based on your spouse's age.

In both situations, you will need to receive an RMD based on your age, not your spouse's, by December 31 of each subsequent year.

This might get confusing if the year of death is your spouse's **second distribution calendar year**, so it's important to be familiar with that term. (Remember, if your spouse was born before July 1, 1949, substitute 70½ for 72 in this explanation.)

A TSP participant's **first distribution calendar year** is the year that participant turns 72 or separates from federal service, whichever is later. So it's the first year that the participant is both separated from service and aged 72 or older. The IRS deadline for RMDs for the first distribution calendar year is April 1 of the following year. The deadline for the second distribution calendar year is December 31 of the same year. That means that the second distribution calendar year has two different RMD deadlines, April 1 for the previous year and December 31 for the current year. In the years following the second distribution calendar year, there's only one deadline, December 31 of that year.

If your spouse dies on or after April 1 of the second distribution calendar year, he or she has most likely received the RMD for the previous year. (It's automatic if we have the correct information in our records.) But that has no effect on whether you have to receive the RMD for the current year. As long as the RMD for the second distribution calendar year has not been met, you are required to receive it by December 31 of that year.

Note that if your spouse dies before April 1 of his or her second distribution calendar year, that counts as before the required beginning date. See the second row of Table 1.

### **3. How do I ensure that I receive the required minimum distribution?**

Near the beginning of each year, we will tell you what your RMD is for that year. Your RMD may be fully or partly satisfied by any withdrawals you choose to make. If you don't make any withdrawals or if your withdrawals fall short of the required amount, we will automatically send you the amount that's still required in December.

**Different treatment of annuity purchases.** When you receive an installment payment or a single withdrawal, your RMD is simply reduced by the amount you receive. We're required to treat annuity purchases differently however. Instead of reducing your RMD by the amount you used to purchase the annuity, we reduce the RMD by the percentage your purchase makes up of your total account balance. In other words, if you choose to purchase an annuity with 50% of your account balance, then 50% of your RMD amount will be satisfied.

#### 4. Can I transfer RMDs to an IRA or another eligible employer plan?

It's important to keep us updated if you have a change of address. If we're aware that the address we have for you is incorrect, we will not send you an RMD check, but we will still report the amount to the IRS as taxable income. Log into My Account at [tsp.gov](https://tsp.gov) to update your address.

No. RMDs cannot be transferred to an IRA or eligible employer plan. If you choose to transfer all or part of a withdrawal in a year in which you have an RMD, we are required to make sure you satisfy the RMD before any transfer takes place. We must do this beginning with your first transfer of the year, whether or not you intend to satisfy the RMD later in the year.

If you are required to receive a minimum distribution and you choose to transfer **all** of your single payment or eligible installment payments, we will remove your RMD amount from the transfer and send that amount directly to you, not to your IRA or eligible employer plan.

If you choose to transfer only a **portion** of your payment or payments, then we will remove the RMD amount and send that amount to you before calculating the amount to be transferred. For example, let's say at the end of last year your balance was \$100,000 and you have an RMD of \$4,545. You make a full withdrawal of your \$100,000 balance, and you specify that 60% of your payment should be transferred and 40% should be paid directly to you. We will remove \$4,545, send it to you, and then calculate the requested percentage from the remaining \$95,455. In this example, we would transfer \$57,273 to your IRA or eligible employer plan and send you an additional \$38,182. The final result of your request is a transfer of \$57,273 to your IRA or eligible employer plan and direct payments to you totaling \$42,727.

**Note:** The calculation shown here does not consider withholding for federal income tax. We are, however, required to withhold a percentage of any payment made directly to you, including your RMD, and pay it to the IRS. See the next section for more information.

#### 5. How much will be withheld from my RMD for federal taxes?

With one exception explained in the next paragraph, RMDs are in the IRS category of "non-periodic payments." We must withhold 10% for federal income tax unless we receive other instructions from you. You can instruct us to waive withholding or to withhold more than 10% by submitting IRS Form W-4P, *Withholding Certificate for Pension or Annuity Payments*. Complete Line 1 of the form to have nothing withheld for federal taxes; complete Line 3 to have an amount greater than 10% withheld. (Line 2 of Form W-4P is not valid for this type of payment.) If you waive withholding and later

want to have taxes withheld, submit a new Form W-4P with the word "Revoked" written next to the checkbox in Line 1.

#### *Exception*

There is one situation in which we would not treat your RMDs as a non-periodic payment: If a portion of an installment payment is used to satisfy your RMD and that installment payment is categorized as a "periodic payment" (payments expected to last 10 years or more or based on life expectancy), then the whole payment, including the RMD portion, is considered a periodic payment. For periodic payments, we must withhold for federal tax as if you are married with three dependents. As with non-periodic payments, you may instruct us to withhold an additional amount from your periodic payment or to waive withholding. With periodic payments, you can also choose to have federal income tax withheld based on the allowances and marital status that you indicate on Line 2 of Form W-4P.

For more information about taxes, please see the TSP tax notice *Important Tax Information About Payments From Your TSP Account*.

#### 6. TSP Contact Information

If you have any questions regarding this tax notice, please contact the TSP ThriftLine 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).

### Uniform Lifetime Table for Calculating Minimum Distributions\*

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	90	11.4	110	3.1
71	26.5	91	10.8	111	2.9
72	25.6	92	10.2	112	2.6
73	24.7	93	9.6	113	2.4
74	23.8	94	9.1	114	2.1
75	22.9	95	8.6	115+	1.9
76	22.0	96	8.1		
77	21.2	97	7.6		
78	20.3	98	7.1		
79	19.5	99	6.7		
80	18.7	100	6.3		
81	17.9	101	5.9		
82	17.1	102	5.5		
83	16.3	103	5.2		
84	15.5	104	4.9		
85	14.8	105	4.5		
86	14.1	106	4.2		
87	13.4	107	3.9		
88	12.7	108	3.7		
89	12.0	109	3.4		

\* A required minimum distribution is calculated as illustrated in the following example: The participant reaches age 75 in 2020. As of December 31, 2019 (the last day of the calendar year immediately preceding the calendar year for which the required distribution will be made), the value of the participant's TSP account was \$229,000. Based on the table above, the expected distribution period (in years) for a 75-year-old individual would be 22.9, so the participant would divide \$229,000 by 22.9. Through this calculation, the participant would determine that the calendar year 2020 would require a minimum distribution of \$10,000.

### Single Life Table for Calculating Minimum Distributions\*

Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy	Age	Life Expectancy
0	82.4	28	55.3	56	28.7	84	8.1
1	81.6	29	54.3	57	27.9	85	7.6
2	80.6	30	53.3	58	27.0	86	7.1
3	79.7	31	52.4	59	26.1	87	6.7
4	78.7	32	51.4	60	25.2	88	6.3
5	77.7	33	50.4	61	24.4	89	5.9
6	76.7	34	49.4	62	23.5	90	5.5
7	75.8	35	48.5	63	22.7	91	5.2
8	74.8	36	47.5	64	21.8	92	4.9
9	73.8	37	46.5	65	21.0	93	4.6
10	72.8	38	45.6	66	20.2	94	4.3
11	71.8	39	44.6	67	19.4	95	4.1
12	70.8	40	43.6	68	18.6	96	3.8
13	69.9	41	42.7	69	17.8	97	3.6
14	68.9	42	41.7	70	17.0	98	3.4
15	67.9	43	40.7	71	16.3	99	3.1
16	66.9	44	39.8	72	15.5	100	2.9
17	66.0	45	38.8	73	14.8	101	2.7
18	65.0	46	37.9	74	14.1	102	2.5
19	64.0	47	37.0	75	13.4	103	2.3
20	63.0	48	36.0	76	12.7	104	2.1
21	62.1	49	35.1	77	12.1	105	1.9
22	61.1	50	34.2	78	11.4	106	1.7
23	60.1	51	33.3	79	10.8	107	1.5
24	59.1	52	32.3	80	10.2	108	1.4
25	58.2	53	31.4	81	9.7	109	1.2
26	57.2	54	30.5	82	9.1	110	1.1
27	56.2	55	29.6	83	8.6	111+	1.0

\* A required minimum distribution is calculated as illustrated in the following example: The deceased participant was born on October 31, 1957, and dies on December 1, 2015, at the age of 58. The beneficiary participant must begin receiving annual required minimum distributions by December 31, 2029 (the end of the year in which the participant would have reached age 72). As of December 31, 2028 (the last day of the calendar year immediately preceding the year for which the required distribution will be made), the beneficiary participant account balance was \$210,000. The beneficiary participant is age 65 in 2029. Based on the table above, the life expectancy (in years) for a 65-year-old individual is 21, so the beneficiary participant would divide \$210,000 by 21. Through this calculation, the beneficiary participant would determine that the calendar year 2029 would require a minimum distribution of \$10,000.