Annual Limit on Elective Deferrals

Part I of this fact sheet describes the Internal Revenue Code's (IRC) annual limit on elective deferrals (tax-deferred and Roth contributions from your pay) and explains how this limit may affect Thrift Savings Plan (TSP) contributions made to the accounts of certain FERS* employees and members of the uniformed services covered by the Blended Retirement System (BRS). Part II explains how this limit may affect any federal employee or uniformed services member who is contributing to the TSP and one or more other retirement plans.

Part I: Limits on Contributions to Your TSP Account

What are elective deferrals?

Elective deferrals are amounts that you ask your employer to deduct from your pay and contribute on your behalf to an employer-sponsored retirement plan. All tax-deferred traditional contributions that you elect to contribute to the TSP and all Roth after-tax contributions that you elect to contribute to the TSP are elective deferrals.

The combined total of your tax-deferred traditional and Roth after-tax contributions (excluding contributions toward the catch-up limit) cannot exceed the elective deferral limit in any year.

Elective deferrals do not include Agency/Service Automatic (1%) or Agency/Service Matching Contributions because those contributions are not considered part of your pay. For members of the uniformed services, they do not include traditional contributions from tax-exempt pay earned in a combat zone.

What is the annual limit on elective deferrals?

For those who are younger than age 50: Section 402 of the IRC limits the amount of income you may elect to defer under all employer-sponsored retirement plans during a tax year. (For most employees, a tax year is January 1 through December 31.) Visit tsp.gov for the current contribution limits.

* FERS refers to the Federal Employees Retirement System, the Foreign Service Pension System, and other equivalent federal retirement systems.

For those turning age 50 or older: The catch-up contribution limit (IRC section 414(v)) allows participants turning 50 and older to make additional contributions. It is in addition to the elective deferral limit imposed on regular employee contributions and the IRC section 415(c) limit imposed on employee contributions (tax-deferred, after-tax, and tax-exempt).

What happens to my employee contributions when the annual limit is reached?

If you are younger than age 50 and reach the elective deferral limit, your employee contributions toward the elective deferral limit must be suspended for the rest of the year. The TSP system will not allow any employee contribution to be processed that will cause the total amount of employee contributions for the year to exceed the annual limit. Your payroll office must ensure that your employee contributions automatically resume the first pay date in the following year.

If you are turning 50 or older during a calendar year and reach the elective deferral limit, your contributions will automatically continue toward the catch-up limit.

What happens to my Agency/Service Matching Contributions when the annual limit has been reached?

If you are a FERS or BRS participant, your Agency/Service Matching Contributions are also suspended when you reach the elective deferral limit or the catch-up limit (if you're turning 50 or older). Agency/Service

Matching Contributions are based on the amount of employee contributions that you make each pay period. If there are no employee contributions in a pay period, there can be no Agency/Service Matching Contributions.

What happens to my Agency/Service Automatic (1%) Contributions when my employee contributions and Agency/Service Matching Contributions are suspended?

If you are a FERS or BRS participant, your agency or service must continue to submit Agency/Service Automatic (1%) Contributions even though your employee contributions and Agency/Service Matching Contributions are suspended. As a FERS or BRS participant, you are entitled to receive Agency/Service Automatic (1%) Contributions whether or not you make employee contributions.

Does it make a difference if I reach the annual limit before the end of the year?

Yes. You should keep the annual contribution limit in mind when deciding how much you will contribute to your TSP account each pay period. If you reach the annual maximum too quickly, you could lose some Agency/Service Matching Contributions because you only receive Agency/Service Matching Contributions on the first 5% of your basic pay that you contribute **each pay period**. If you reach the annual limit before the end of the year, your contributions (and consequently your Agency/Service Matching Contributions) will stop. (If you are **purposely making larger contributions** early in the year in an attempt to maximize your earnings, be aware that the amount you could lose in Agency/Service Matching Contributions could be far greater than the value of the added earnings you might receive by making employee contributions sooner.)

How can I make the maximum employee contribution and still receive the maximum Agency/Service Matching Contribution each year?

To receive the maximum Agency/Service Matching Contribution, you must contribute at least 5% of the basic pay you earn **each pay period** during the year. (The first 5% of your basic pay each pay period is matched — dollar-for-dollar on the first 3% and 50 cents on the dollar for the next 2%.)

To determine a dollar amount you can contribute each pay period so that your contributions are spaced out over all the (remaining) pay dates in the year, use the "How much can I contribute?" calculator on tsp.gov.

If I make up employee contributions that my agency or service should have made in a previous year, will they count against this year's elective deferral limit?

No. Employee contributions are subject to the limit for the year in which the contributions should have been made. If, due to an error, your agency or service failed to make your employee contributions in a previous year and you make up those contributions this year, your makeup contributions will not count against this year's elective deferral limit.

How does the TSP apply the limits if I contribute to both a civilian and a uniformed services TSP account?

If you are contributing to both a civilian and uniformed services account, the elective deferral limit applies to the total contributions you make during the year to both accounts. It works the same way for contributions toward the catch-up limit.

Note: Tax-exempt contributions made to the traditional balance of your uniformed services account while you are deployed to a designated combat zone do not count toward the elective deferral limit. However, any Roth TSP contributions you make are subject to the limit even if they are contributed from tax-exempt pay. Also, if you enter a combat zone and receive tax-exempt pay, only Roth contributions toward the catch-up limit are allowed. The TSP cannot accept traditional tax-exempt contributions toward the catch-up limit.

Part II: Participating in the TSP and Another Tax-Deferred Retirement Plan

The following questions relate to excess deferrals (see definition below) made to both the TSP and another tax-deferred retirement plan as described under sections 401(k), 403(b), 408(k), or 501(c)(18) of the Internal Revenue Code (IRC). Certain federal employees can participate in such plans **in addition** to the TSP, in which case the elective deferral limit applies to the combined total of all elective deferrals made to any plan for the year. Because tax rules are complex, you may wish to consult a tax advisor if you exceed the elective deferral limit.

What is an excess deferral?

An excess deferral is the amount of your contributions to tax-deferred plans that exceeds the relevant annual limit on elective deferrals (regular contributions) and, if you are turning age 50 or older, additional contributions toward the catch-up limit.

What if I am contributing to more than one plan and my combined contributions exceed the annual limit?

You may request a refund of any excess deferrals from one or more of the plans in which you participate. Each plan then has the option of returning your excess deferrals, plus associated earnings, by April 15 of the year following the year in which the deferrals were made.

What happens if any of the limits are exceeded by contributing to both my civilian and my uniformed services TSP account?

In January, the TSP will check to see whether your combined contributions to both accounts exceeded any of the limits. To do so, the TSP will add up the traditional (pre-tax) and Roth (after-tax) contributions made to both accounts. (Note: Traditional tax-exempt contributions made to your uniformed services account while deployed to a designated combat zone do not count toward the elective deferral limit.) The TSP will then return any contributions that exceeded the applicable limit, along with attributable earnings on those contributions before April 15. You do not need to take any action. Please do not submit a Form TSP-44, *Request for Refund of Excess Employee Contributions*.

Elective deferrals (and their earnings) in your uniformed services account will be returned before those in your civilian account. If you made both traditional and Roth contributions during the year, the excess elective deferrals (plus their earnings) returned to you will include a proportional amount from your traditional and Roth balances.

How does the TSP's refund process work?

In January, the TSP will attach Form TSP-44, *Request for Refund of Excess Employee Contribution*s, to this fact sheet for eligible participants to complete and send to the TSP for processing. If you submit this form in a timely manner, the TSP will return the excess deferrals and associated earnings to you.

To request a refund of excess deferrals and associated earnings, you must submit the latest version of Form TSP-44 (previous versions are obsolete and will not be processed). To know whether you have the most recent version of the form, look in the upper right-hand corner (under the form name) for the tax year.

The form must be faxed or postmarked and mailed to the address provided on the form no later than **March 15 of the year after the excess deferrals were made**. The TSP will then process the refund by April 15. To ensure that your form is received in time to process it, the TSP recommends that you fax the form to the number in the form's instructions no later than March 15. The TSP will remove Form TSP-44 from this fact sheet on the website after March 15. If you have questions, you can reach the TSP at 1-877-968-3778. (Outside the U.S. and Canada, call 404-233-4400.)

What are the tax consequences if I contribute more than the annual limit in any tax year?

Excess deferrals are treated as income in the year in which you made the contributions, whether or not they are refunded to you. The total amount of deferred income is reported by each employer in Box 12 on your IRS Form W-2. If you have made traditional excess deferrals, you must report the total amount of the excess on your individual income tax return as taxable wages for the year in which you made the excess deferrals. Roth excess deferrals are also taxable wages for the year in which you made the excess deferrals, but the amount you are required to report is already included as income in Box 1 of your Form W-2.

If you elect to receive excess deferrals as a refund from the TSP, you will receive IRS Form 1099-R, *Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, which will indicate the amount of the excess that was refunded to you. This distribution will also be reported to the IRS. If you have already filed your individual tax return for the year in which the excess was contributed and this amount was not included as taxable wages, you will need to file an amended tax return.

How are the earnings on excess deferrals treated for tax purposes?

Earnings distributed with excess deferrals are considered taxable income **in the year in which they are distributed** (unlike the excess deferrals themselves, which are considered taxable income **in the year in which they are contributed**). If you have Roth contributions as part of your excess deferrals, you will owe taxes on the Roth earnings as well, even if you already meet the IRS requirements to receive Roth earnings tax-free (i.e., it has been 5 years since January 1 of the year you made your first Roth contribution, and you are at least age 59½ or permanently disabled).

You will receive a separate IRS Form 1099-R indicating the amount of the earnings. You must report this amount as income in the year in which the distribution is made. This distribution will also be reported to the IRS.

What happens to the Agency/Service Matching Contributions that were associated with the excess deferrals that were returned to me?

Your agency or service will be notified that you have requested to have your excess deferrals and associated earnings returned to you. Your agency or service is then required to remove the Agency/Service Matching Contributions associated with these excess deferrals. If your agency or service fails to remove the Agency/Service Matching Contributions from your account within one year of the date the contributions were made, the TSP will remove them and use them to offset TSP administrative expenses.

Is a distribution of excess deferrals considered an early withdrawal and thus subject to the IRS tax penalty?

If the distribution is made by April 15 of the tax year following the year in which the excess deferral was made, it will not be considered an early withdrawal.

What happens if the distribution is not made by April 15 of the following tax year?

After April 15 of the following tax year, you cannot request to have the excess amount refunded. Instead, the distribution will remain in your account. **If the distribution is traditional (pre-tax),** you will be taxed twice on it — once in the year in which the excess deferral is made, and then again when you separate and withdraw your account. (If the withdrawal is premature, the IRS early withdrawal penalty may also apply.) Earnings on the excess deferrals are taxed only once, when you withdraw the account.

If the distribution is Roth and it is not made by the April 15 deadline, your Roth excess deferrals will not be treated as after-tax contributions. This means that the double-taxation rule above will also apply to excess Roth contributions. You will also owe taxes on the earnings attributable to your excess Roth contributions, even if you already meet the qualified distribution requirements.

Please note: As stated above, if the TSP does not receive your request or it is not postmarked by March 15, your request will not be processed; accordingly, you will not receive a distribution from the TSP of your excess deferrals.

MAIL or FAX NO LATER THAN MARCH 15, 2021

THRIFT SAVINGS PLAN
REQUEST FOR REFUND OF EXCESS EMPLOYEE CONTRIBUTIONS

TSP-44

Tax Year 2020

Have you contributed to any plans in 2020 other than a TSP civilian and/or uniformed services account?

If no, STOP DO NOT complete this form. The TSP will automatically refund any excess contributions. (DO NOT use this form to request a return of 415(c) excess annual additions.)

If yes, GO Proceed to Section I below.

Please remove the excess employee contributions refund from my: (select one) ☐ Civilian Account ☐ Uniformed Services Account

I. PARTICIPANT INFORMATION *Indicates a required field

*1. Last Name / First Name / Middle Name

*2. TSP Account Number *3. Date of Birth *(mm/dd/yyyy)* *4. Daytime Phone *(Area Code and Number)*

5. Email Address

II. EXCESS CONTRIBUTIONS INFORMATION (Only provide the name of a plan OTHER than the TSP.)

*6. **Plan Type:** ☐ 401(k) ☐ 403(b) ☐ 408(k) ☐ 501(c)(18) ☐ Other ______

*7. Name of other plan or plans to which I contributed **(DO NOT include traditional and/or Roth IRA contributions.)**

*8. **Amount of Excess Regular Employee Contributions Requested** $ ______
Maximum of $19,500 for 2020 *(Cannot exceed amount contributed to the TSP for 2020)*

9. **Amount of Excess Catch-Up Employee Contributions Requested** $ ______
Maximum of $6,500 for 2020 *(Cannot exceed amount contributed to the TSP for 2020)*

My employee contributions to the TSP for the 2020 tax year, when added to my contributions to the other plan(s) identified above, exceeded the limits on contributions as stated in the Internal Revenue Code (IRC). Under the law (26 U.S.C. 402(g)), it is my responsibility to notify the TSP administrator how much, if any, of my TSP contributions I want the TSP to refund from my account. Accordingly, I am submitting this notice to the TSP administrator that I wish to withdraw from the TSP the amount shown in Item 8 and/or Item 9 above plus earnings on this amount (calculated according to IRC regulations and TSP rules). I also understand that the TSP will remove the excess contributions (along with attributable earnings) from my TSP account no later than April 15, 2021. As stated in the IRC, I understand that any employee contributions returned to me constitute taxable income for 2020, while the earnings on those amounts constitute taxable income for 2021.

I further understand that I have the option to choose the account type from which my excess contributions will be refunded. However, the employee contributions will be removed pro rata (i.e., proportionally) from any traditional and Roth balances in my account, beginning with the last contributions that were deposited into my account in 2020. Any Agency/Service Matching Contributions (and associated earnings) attributable to the amount of my excess employee contributions must also be removed from my TSP account, and my agency or service will be asked to remove these matching contributions.

I acknowledge that it is **not** the responsibility of the TSP to inquire whether I have made excess contributions to the other plan(s) named above.

III. CERTIFICATION—I certify that the information I have provided is true to the best of my knowledge. **Warning:** Any intentional false statement in this request or willful misrepresentation concerning it is a violation of law that is punishable by a fine or imprisonment for as long as 5 years, or both (18 U.S.C. § 1001).

10. Participant's Signature

11. __/__/2021 Date Signed *(mm/dd/yyyy)*

12. Address *(We will use this address only if we cannot locate your account.)*

TSP-44, INSTRUCTIONS

You do not need to complete this form if you exceeded the elective deferral limit and/or catch-up limit as a result of contributions to your uniformed services and civilian TSP accounts only. The TSP will automatically process a refund of any excess deferrals in your two TSP accounts. If you exceeded the limits because of contributions to the TSP and another plan (or plans), you may choose to receive a refund of any or all of your excess employee contributions from the TSP, or you may choose to receive part of your excess contributions from the TSP and the rest from another plan. You cannot, however, ask the TSP to refund you more than you contributed to the TSP for the year. This request applies only to the refund from the TSP.

Your form must be faxed or postmarked and mailed to the Federal Retirement Thrift Investment Board no later than **March 15, 2021**. The Board must process your request and pay you the refunded amount before April 15, 2021, but no earlier than the first business day in April. To ensure that your form is received in time to process it, the TSP recommends that you fax it to 202-942-1451. (**Note:** An incomplete or incorrectly completed form will not be processed.)

The 2020 Contribution Limits

Employee Contributions (Traditional and Roth in total)	$19,500
Catch-up Contributions (Traditional and Roth in total)	$6,500

✓ You may complete this form if in 2020 (1) you were a participant in the TSP and a plan or plans as described under sections 401(k), 403(b), 408(k), or 501(c)(18) of the Internal Revenue Code (IRC) **and** (2) the total contributions you made to all of these plans exceeded $19,500 or, if you also elected to make catch-up contributions, the total contributions you made exceeded $26,000. Contributions made to 457(b) plans are subject to a separate deferral limit and are not combined with TSP contributions for purposes of determining whether you have exceeded the IRC 402(g) elective deferral limit. **Note:** DO NOT use this form to request a return of 415(c) excess annual additions.

The TSP will notify you and the IRS of the return of both employee contributions and attributable earnings, reporting each amount on a separate Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. It is your responsibility to report these amounts as taxable income for the appropriate years on your federal tax returns, or to file amended tax returns, if necessary. **Note: You should consult with your plan administrator, trustee, or custodian concerning any limit on the amount you can contribute to your TSP account if you also contribute to another retirement plan or a tax-sheltered annuity.**

✓ Be sure to include on the front of this form the complete name of the other plan or plans to which you made contributions. **Do not include the Thrift Savings Plan.** For excess contributions that relate only to your TSP accounts (i.e., civilian and uniformed services), **do not complete this form**. Any excess contributions resulting from contributions to your uniformed services and civilian TSP accounts will automatically be refunded to you before April 15, 2021, but no earlier than the first business day in April.

✓ **Sign and submit your completed form to:**

Federal Retirement Thrift Investment Board
Attn: OPS, TSP-44 Processing
77 K Street, NE, Suite 1000
Washington, DC 20002

OR

Fax to: 202-942-1451

Note: We will only use the address you provide in Item 12 if we cannot locate your account in the TSP record from the name or account number you provided in Section I. The address you provide here will **not** be used to update the address in your TSP account record, or to mail you a check for your excess contributions, or for tax reporting. If you are still actively employed with the federal government and your address in your TSP account record is not correct, contact your agency or service immediately. Only your agency or service can change the address in your TSP account record. If you have separated from service, you can change your address in the My Account section of tsp.gov. If you are not sure what address is shown for your TSP account, you can check it on the website, your most recent participant statement, or by calling the ThriftLine. To access your account through tsp.gov, you will need your TSP account number or user ID, and your web password. Please correct your address before submitting your request for refund of excess contributions.