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Disabled veterans

If you're a disabled veteran your disability payment may qualify for certain tax exclusions. You may also be eligible to claim a federal tax refund if you received:

- [A lump sum disability severance payment that was counted as income.](#)
- An increase in disability percentage from the Department of Veterans Affairs.

If you already filed, you may benefit from [amended return filing for combat-injured disabled veterans.](#)

Military spouses

Many military spouses run businesses or do gig work, and whether it's a side hustle or a major operation, the IRS has tax resources and information to help them keep things running smoothly.

- [Small Business and Self-Employed Tax Center](#)
- [Gig Economy Tax Center](#)
- [Tax Information for Businesses](#)
- Employer Identification Number – businesses need an EIN, even if they don't have employees. An EIN – also known as a Federal Tax Identification Number – identifies a business entity. Businesses can apply at [IRS.gov/ein](https://www.irs.gov/ein).

ROTH IN-PLAN CONVERSIONS

From Thrift Savings Plan

You have the option to convert a portion of money from your [traditional \(pre-tax\) balance to your Roth \(after-tax\) balance](#) in your TSP account. This is called a "Roth in-plan conversion." If you don't have a Roth TSP balance in your TSP account, your first Roth in-plan conversion will create one.

The first questions you should ask yourself when you consider doing a Roth in-plan conversion are about the immediate effects on taxes you would owe:

- How will it affect my taxable income for the year?
- How much income tax will I need to pay on the amount of money I convert?
- Will this conversion raise my federal marginal tax rate?
- Do I have enough money to pay the income tax on the conversion?

Roth in-plan conversions are complex, and we recommend that you consult a tax advisor to plan your conversion strategy. Once you do a Roth in-plan conversion, it cannot be reversed or changed.

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Norman Okada presents Thrift Savings Plan (TSP) material to Sailors during a Fleet and Family Support Center event aboard the USS Ronald Reagan (CVN 76). (U. S. Navy photo by MC2 Eric Stanton)

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Paying taxes on a Roth in-plan conversion

When you convert pre-tax money from your traditional TSP balance, your Roth in-plan conversion amount becomes part of your taxable income for the year. This means that you'll owe income tax on the conversion amount at your income tax rate. Because the conversion adds to your total income, it could push you into a higher tax bracket.

You must pay the income tax on the conversion amount using personal funds from another source, such as a savings account. You cannot use part of the amount you're converting to pay taxes.

The conversion amount is taxable at the time of conversion. Because there is no withholding on Roth in-plan conversions, you may be required to make estimated tax payments to the IRS. We'll report the total amount of conversions you make during the year to the IRS, to 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.

For help with how much and when you need to pay taxes on a conversion, you should consult a tax advisor to avoid IRS underpayment penalties. The TSP cannot provide tax advice.

Eligibility for Roth in-plan conversions

You're eligible to do a Roth in-plan conversion if you have a [vested traditional balance](#) in your TSP account. You must also be able to meet the minimum amounts explained in this section.



Who can do a Roth in-plan conversion

Roth in-plan conversions are available to all TSP participants:

- Active participants (current federal civilian employees and uniformed services members)
- Separated and retired participants
- Spouse beneficiary participants

[Non-spouse beneficiaries](#) are not eligible for Roth in-plan conversions.

Parts of your traditional balance you can convert

Contributions and earnings in your traditional TSP balance are eligible for conversion. When you choose your conversion amount, the money will be taken proportionally from your eligible contribution sources:

- Your own traditional payroll contributions.
- [Agency/Service Matching Contributions](#) (if applicable).
- [Agency/Service Automatic \(1%\) Contributions](#) (if applicable).

You can find your traditional TSP contribution sources and your balance for each source listed in the "My Account" tab when checking your account online and on your account statements. TSP keeps track of contribution sources in your account because some transactions are only available for certain sources. For example, you cannot take a loan or hardship withdrawal from agency/service contributions.

For uniformed services members with tax-exempt contributions

If your traditional balance includes a nontaxable amount, such as tax-exempt contributions from serving in a combat zone, your conversion amount will include a nontaxable amount in the same proportion as taxable and nontaxable amounts in your traditional balance. For example, if your traditional balance is \$100,000 with a \$10,000 nontaxable amount, then 10% of your traditional balance is nontaxable. If you convert \$10,000 to your Roth TSP balance, \$9,000 of the conversion amount would be from the taxable portion and \$1,000 is from the nontaxable portion.

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Minimum conversion amount

The minimum amount for each Roth in-plan conversion is \$500.

Leave-behind amount

For contribution sources that include your own payroll contributions and agency/service contributions, there must be a minimum of \$500 left in each source after a Roth in-plan conversion. If one of the sources in your traditional balance has \$500 or less, then the conversion amount will be taken only from the other sources in your account.

Rollover contributions don't have a minimum leave-behind amount.

Spouse beneficiary participant accounts aren't subject to a leave-behind amount.

There is no maximum limit to how much you can convert other than the leave-behind amounts that apply to your account.

Up to 26 Roth in-plan conversions per calendar year

You can make up to 26 Roth in-plan conversions per calendar year. If you have more than one TSP account, this limit applies to each account separately. For example, if you have both a civilian TSP account and a uniformed services TSP account, you can make up to 26 conversions in each account.

Spousal consent not required

[Spousal consent](#) is not required to complete a Roth in-plan conversion.

Required minimum distributions (RMDs) must be taken before conversion

If you are [subject to RMDs](#), you must withdraw the RMD amount before you can do a Roth in-plan conversion each year. You cannot satisfy the RMD amount by converting money from your traditional TSP balance to your Roth TSP balance.



Sailors receive financial advice during a financial fair aboard the USS Ronald Reagan (CVN 76). (U.S. Navy photo by MC2 Daniel Providakes)

Mutual fund window investments not eligible

You can only convert money invested in TSP funds, so you cannot directly convert money you've invested in the [mutual fund window](#). If you want to do a Roth in-plan conversion with money in your mutual fund window account, you need to sell shares and then request a transfer back to your TSP funds before doing a Roth in-plan conversion.

Deciding whether a Roth in-plan conversion is right for you

You can do a Roth in-plan conversion at any time while working and in retirement. A tax advisor can help you decide whether a Roth in-plan conversion would be an advantage to you and when the best time would be to do one. For example, many people choose to do conversions during years that they have less income and have a [lower marginal tax rate](#).

There is a lot to consider before doing a Roth in-plan conversion. You should consult a tax advisor to discuss the advantages and disadvantages specific to your situation.