

**Application for
Refund of
Accumulated
Contributions**

Tennessee Consolidated Retirement System

502 Deaderick Street
Nashville, Tennessee 37243-0201
1-800-770-8277 ♦ <http://tcrs.tn.gov>



In order to qualify for a refund, a member must (1) have funds in TCRS, (2) no longer be employed by any employer covered by TCRS and (3) complete this application and return it to TCRS at the above address. Please read the income tax information beginning in Section 6 before completing your application.

SECTION 1. MEMBER INFORMATION

Member ID

Last 4 SSN XXX-XX-

Date of Birth

Full Name

Mailing Address

City

State

Zip Code

Email

Daytime Phone Number

Former TCRS Employer

Date Employment Terminated

I understand that it is my responsibility to update my address if it changes during the processing of this refund. I acknowledge that failure to report my address change will result in delays. The United States Postal Service does not forward checks from TCRS.

Member's Signature

Date

SECTION 2. WITHHOLDING ON REFUNDS/DIRECT TRANSFER TO ANOTHER RETIREMENT PLAN

All refunds issued directly to former members of TCRS are subject to federal income tax withholding at a rate of 20% of the taxable portion of the refund. However, the taxable portion of the refund may be transferred directly from TCRS to another retirement plan, with the nontaxable portion (if any exists) being refunded directly to you. If you choose to have the taxable portion transferred directly to another retirement plan, the distribution will not be taxable and federal income tax will not be withheld.

Select one (1):

- I want the entire refund issued directly to me. I understand 20% of the taxable portion will be withheld for federal income tax.
- I want my refund transferred directly to the retirement plan listed below. *(Section 3 must be completed if you select this option.)*
- I want \$_____ of the taxable portion of my refund transferred directly to the retirement plan listed below and the remainder issued to me. *(Section 3 must be completed if you select this option.)*

SECTION 3. CERTIFICATION BY PLAN OR IRA ACCEPTING DIRECT TRANSFER (Must be completed by plan which will receive direct transfer if you have requested that all or part of your refund be transferred directly to another retirement plan.)

I agree to accept a direct transfer of the taxable portion of the refund due to the above named individual. I certify that the plan named below is eligible for a transfer from the Tennessee Consolidated Retirement System, a 401(a) plan:

Name of Rollover Company _____

Type of Plan: Roth IRA Traditional IRA Account Number _____

Mailing Address _____

City _____ State _____ Zip Code _____

Check Made Payable To _____

Contact Person _____ Phone Number _____

Administrator's Signature _____ Date _____

SECTION 4. DIRECT DEPOSIT INFORMATION (Do not complete this section if you are transferring or rolling over your account balance to another plan. Only complete this section if you wish to have a cash distribution deposited into your bank account.)

Type of Account: Checking Savings Financial Institution _____

Routing Number _____ Account Number _____

SECTION 5. CERTIFICATION BY EMPLOYER (To be completed by employer. Do not complete if member has been out of work six months or more.)

Political Subdivisions, Higher Education and State Departments Not Paid by Finance and Administration
Department Code _____-- _____ Effective Date of Termination (last paid day) _____
This employee's final contribution will appear on the report for the month of _____, 20____.
(Allow for annual leave, if applicable.)

Teachers
Department Code _____-- _____ Effective Date of Termination (last paid day) _____
This employee's final contribution will appear on the report for the month of _____, 20____.
(Allow for annual leave, if applicable.)

State Departments Paid by Finance and Administration
Department Code _____-- _____ Effective Date of Termination (last paid day) _____
This employee's final contribution will appear on the report for the month of _____, 20____.
(Allow for annual leave, if applicable.)

Employer or Agent's Signature _____ Date _____

Employer or Agent's Phone Number _____

SECTION 6. TCRS REFUND TAX INFORMATION

The Tennessee Consolidated Retirement System is a qualified pension plan under Section 401(a) of the Internal Revenue Code. The following information is provided to highlight federal tax rules which may apply to this refund. Full tax information regarding refunds is contained in the IRS Special Tax Notice Regarding Plan Payments.

Receipt of Taxable and Nontaxable Amounts

Your refund will consist of a taxable portion and possibly a nontaxable portion.

- The **nontaxable portion** is the amount of the member's previously taxed contributions (if any). If the member made any after-tax contributions to TCRS, this amount will be refunded tax free.
- The **taxable portion** includes any accumulated interest, employer contributions made on the member's behalf in lieu of employee contributions, and/or tax-deferred contributions made under the provisions of Section 414(h). The taxable portion of the refund may be taken in two ways. You may elect to have the taxable portion (1) transferred to another retirement plan or an Individual Retirement Arrangement (IRA) in a direct rollover or, (2) paid to you. This choice will affect the tax you owe.

Withholding on Taxable Portion of Refund

If you choose to have the taxable portion transferred directly to another eligible retirement plan or a traditional IRA, payment will be made directly to that plan and no income tax will be withheld. It is required that Section 3 of this application be completed and signed by the receiving plan administrator. Your tax liability will be postponed until you take the money out of the new plan. Payment cannot be rolled over into a SIMPLE IRA, EDUCATION IRA, or into a 457 plan established by a nongovernmental entity. If you choose to roll your contributions to a Roth account, you will be subject to tax penalties and will be responsible for all tax liability regarding this transfer. Since TCRS does not withhold the tax for ROTHs at the time of distribution, you will be responsible for the taxes at tax time.

If you choose to have the taxable portion of your refund paid to you, TCRS is required by federal law to withhold 20% of the taxable portion in federal income taxes. This withholding amount will be sent to the IRS to be credited toward your income tax. If you choose to have the taxable portion of your refund paid to you, it may be subject to two separate taxes: ordinary income tax and an early distribution tax.

Ordinary Income Tax on Taxable Portion of Refund Paid to You

Any taxable amount paid to you is includable in your gross income and taxed as ordinary income unless you use one or more of the following special tax treatments.

- **Rollover** - You may make a tax-free "rollover" of the taxable portion of this refund to another retirement plan or to an Individual Retirement Account (IRA) within 60 days of the date you receive the refund. Your tax liability will then be postponed until you take the money out of the new plan. Since federal income taxes must be withheld from any payment issued to you, it may be more advantageous to arrange for a direct transfer. For more information, see IRS publication, *Individual Retirement Arrangements (IRAs)*.

- **Capital Gains** - If the member was born before January 1, 1936 and if the refund includes employee contributions made before Jan. 1, 1974, you may elect to use long-term capital gain tax treatment on a percentage of the taxable amount of this refund. The member must have participated in the plan for five years or longer. The percentage of the refund which is eligible for capital gains treatment is generally determined by dividing the member's months of participation before 1974 by the total months of participation. For more information, see IRS publication 575, *Pension and Annuity Income* and IRS form 4972.
- **Forward Averaging** - If the member was born before January 1, 1936, the taxable portion of this refund may qualify for the special forward averaging provisions of the tax code. The member must have participated in the plan for five years or longer. For more information, see IRS publication 575, *Pension and Annuity Income* and IRS form 4972.

Early Distribution Tax on Taxable Portion of Refund Paid to You

Any taxable amount paid to you by TCRS is also subject to a separate 10 percent early distribution tax unless you qualify for one of the following exemptions:

- **Rollover** - If you roll over the taxable portion of your refund, it will not be includable in gross income, and so it will not be subject to this tax.
- **Age 59½** - If you are 59½ or older when you receive the refund, it is exempt from this early distribution tax
- **Age 55** - If you were 55 or older when you separated from service, your refund is exempt from this early distribution tax. (If you roll over your refund to another type of plan, this exemption will not later be available from that plan.)
- **Disability** - If you are receiving the refund as a result of your disability and can provide proof of this to the IRS, it is exempt from this tax.
- **Medical Expenses** - If you have certain medical expenses which exceed 7½% of your gross income this year, your refund may be exempt from this tax. Proof of medical expenses should be submitted to the IRS for determination.

For more information, refer to <http://treasury.tn.gov/tcrs/Taxes-on-Bene.html>. Any additional questions concerning the taxability of payments from TCRS should be directed to the Internal Revenue Service at 800-829-1040.