

memorandum

DATE: January 14, 2003

REPLY TO

ATTN OF: AD-442:Blaylock

SUBJECT: **THRIFT SAVINGS PLAN TAX CREDIT**

TO: All ORO Employees

Employees who participated in the Thrift Savings Plan (TSP) during tax year 2002 may be eligible for a tax credit of up to \$2,000. This benefit, called the Retirement Savings Contributions Credit, is available to participants with an *adjusted* gross income of no more than \$50,000 if married filing jointly, \$37,500 if head of household, or \$25,000 if single or married filing separately. The amount of the tax credit may be offset by any tax distribution paid directly to you from the TSP during the year.

Any tax savings you receive from the credit is in addition to any normal tax savings you might receive from your retirement contributions. However, the credit is "nonrefundable." This means the credit can only reduce your tax liability to zero, allowing a refund of any tax withholding paid, but your refund cannot be more than what you paid in.

The credit can be 10, 20, or 50 percent of the contribution, up to a \$2,000 contribution filing as single or up to a \$4,000 contribution if married filing jointly. For instance, if you are married filing jointly and have a total adjusted gross income of \$48,000 and contributed \$4,000 into the TSP or equivalent deferred retirement account, your tax credit will be \$400. If you file as single and your adjusted income is \$16,000 and you contributed \$2,000 into the TSP then your tax credit will be \$400. The percentage of credit and adjusted income requirements are listed below:

Tax Credit %	Single	Head of Household	Married Filing Jointly
50%	Up to \$15,000	Up to \$22,500	Up to \$30,000
20%	\$15,001-\$16,250	\$22,500-\$24,375	\$30,000-\$32,500
10%	\$16,251-\$25,000	\$24,376-\$37,500	\$32,501-\$50,000

For more information about this tax credit, consult your tax advisor or refer to IRS Form 8880.



Melanie M. Kent, Chief
Personnel and Management
Analysis Branch