



Requesting a Refund

Instructions

TRS6IN (09-17)

1000 Red River Street
Austin, TX 78701-2698
(800) 223-8778
www.trs.texas.gov

Eligibility for a Refund

If you permanently terminate employment with your TRS-covered employer(s) and have neither applied for nor received a promise of employment with a TRS-covered employer, you may terminate membership in TRS and withdraw all the accumulated contributions in your member account. Terminating your TRS account also terminates all service credit with TRS.

Exception: If you are serving as a substitute and are not employed in any other capacity with a TRS-covered employer, you may withdraw your accumulated contributions.

Options to Consider Before Requesting a Refund

The decision to seek a refund of your member contributions is an important one. If you resume TRS membership at a later date, you may be subject to new retirement eligibility criteria. It is advisable to consider all options available to you before making a decision. These options include the following:

- If you have less than five years of TRS service credit, you may leave your accumulated contributions with TRS, receive interest for up to five years while absent from TRS-covered employment and then later apply for a refund if you do not return to employment in a TRS-covered position.
Note: If you have less than five years of service credit, after five consecutive years without earning TRS service credit, your membership is terminated unless you qualify for an exception or return to work in a TRS-covered position. Refer to the *TRS Benefits Handbook* for additional information.
- If you have at least five years of TRS service credit, you may leave your accumulated contributions with TRS and earn interest as long as these funds remain with TRS. If you do not take a refund, then when you meet applicable retirement eligibility requirements, you may apply for a lifetime retirement annuity based upon your service and salary history on file with TRS.
- You may terminate your membership in TRS by applying for a refund and withdrawing your accumulated contributions. See the *Federal Income Tax Implications* section below for more information. If you terminate TRS membership and receive a refund of your accumulated contributions, you will terminate all service credit with TRS and forfeit valuable future benefits associated with the service credit such as eligibility for a retirement annuity, death benefits, and retiree health insurance.
- You may terminate TRS membership by applying for a refund and withdrawing your accumulated contributions, but defer receipt of taxable income by rolling your funds over to another eligible retirement plan. For more information regarding the types of eligible retirement plans that may receive a rollover of your withdrawn funds, see Section 4 of the *Refund Rollover Election* form (TRS6A).

Forms Used to Request a Refund

Application for Refund form (TRS6) - required

Refund Rollover Election form (TRS6A) - optional; only required if you are requesting a rollover to another eligible retirement plan



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Federal Income Tax Implications

Refunded amounts that represent tax-sheltered contributions are subject to a mandatory 20 percent federal income tax withholding unless you elect to roll over all eligible amounts to another eligible retirement plan. The amount withheld may not be sufficient to cover your income tax liability for the refund. A 10 percent early withdrawal penalty assessed by the Internal Revenue Service (IRS) may also be applicable. All or a portion of your refund that is eligible for rollover may be rolled over. For more information regarding amounts in your TRS account that are eligible for rollover and types of retirement plans that are eligible to receive rolled over amounts, see the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas*.

If you are a non-U.S. citizen and a non-resident alien, TRS is required to withhold 30 percent for federal income tax unless you qualify for bene-fits under a U.S. tax treaty. If so, you must notify TRS of your eligibility for reduced withholding or exemption from withholding and provide TRS with a completed IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding) and any other required documentation. The W8-BEN can be obtained on the IRS' website, www.irs.gov, or from TRS upon request. TRS recommends that you submit the completed Form W-8BEN with your TRS 6 in order to expedite the processing of your refund.

It is your responsibility to submit the proper tax returns to the IRS and to pay any additional taxes or penalties that may be due. TRS encourages you to contact your professional tax advisor for specific advice on how this distribution may affect your taxes.

Additional Information about Rollovers

If you elect either a full or partial rollover, TRS will make the treasury warrant for the rollover payable to the trustee of the eligible retirement plan named on the *Refund Rollover Election* form (TRS6A). **TRS will mail the treasury warrant for the rollover to the address listed on your TRS6. You are responsible for forwarding the treasury warrant to the plan receiving the rollover in order to complete the rollover.**

If the amount you elect to roll over is less than the total amount in your account at the time of distribution, TRS will pay any balance to you through a second payment, which will be payable to you and issued as either a direct deposit or paper treasury warrant.

If the amount you elect to roll over is less than your account total, TRS will roll over your tax-sheltered funds first, then your non tax-sheltered funds to reach the total dollar amount you chose to roll over. If the amount you wish to roll over is less than your tax-sheltered amount, TRS will pay you the remaining tax-sheltered amount minus 20% for federal income tax withholding, plus any non-tax sheltered amount in your account.

Roth IRAs: A rollover to a Roth IRA results in a taxable distribution in the year in which it is paid by TRS. If you choose to rollover to a Roth IRA, you must complete Section 3 of the TRS 6A regarding your withholding preference. TRS recommends that you consult with a professional tax advisor about whether the tax-sheltered amount of your refund is subject to the 10% additional tax on early distributions described in the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas*.

Foreign Trusts: A direct rollover may be made to a foreign trust that is part of a stock bonus, pension, or profit sharing plan established outside the U.S., if the receiving foreign trust would qualify for exemption from tax under Internal Revenue Code (IRC) §§ 401(a) and 501(a), except for the fact that it is a trust created or organized outside the U.S. To claim this exemption, in addition to any other information required by TRS, the distributee must furnish a written statement by an authorized official of the foreign trust stating that the foreign trust is a trust described under IRC § 402(d). TRS will not make a transfer to a foreign trust without this statement.



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Tax Statements Sent by TRS

Tax statements (Form 1099-R) are required to be mailed to your address on record no later than January 31 of the year following a refund. Form 1099-R includes the total amount of the lump sum distribution, any portion that is taxable income for the year paid, and the amount of income tax withheld. This information is also provided to the IRS as required by federal law. If you are a non-U.S. citizen and non-resident alien, TRS will report your distribution on a Form 1042-S instead of on a Form 1099-R.

If you elect to roll over all or a part of your refund you will receive a separate Form 1099-R regarding the rollover amount. Tax statements are mailed to the same address used for refunds. You must notify TRS in writing if your address changes after you receive your refund. TRS must receive your notification prior to December 10 of the year in which you received your refund in order to ensure that the form will be sent to the correct address.

Returning to TRS Membership After a Refund

If you return to TRS membership after receiving a refund, you may elect to reinstate service credit terminated by your withdrawal by re-depositing the amount that TRS has determined to be eligible* plus applicable reinstatement fees. This amount may be paid in a lump sum payment, by a rollover or direct trustee-to-trustee transfer of eligible funds from another eligible retirement plan, or in monthly installments. If you pay by monthly installments, additional administrative fees are also assessed.

***Note:** *Not all service credit may be eligible for reinstatement after withdrawal. Some types of service credit must be continuously maintained such as credit earned by a student who was required to be enrolled as a student at the employing institution of higher education as a condition of employment when that type of service was eligible for membership in TRS.*



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How to Apply for a Refund

Step 1: Read and complete the *Application for Refund* form (TRS6) and sign the form in front of a notary. Form TRS6 requires your notarized signature certifying that you have permanently terminated your employment with your TRS-covered employer(s) and have not applied for or received any promise of employment with a TRS-covered employer. If your name on the TRS6 is different than the one shown on TRS records, you must send TRS a copy of the court order or marriage license documenting your name change. If your attorney-in-fact signs the request, a copy of the power of attorney must be submitted for review.

Please note that in some cases, TRS will issue your refund payment as a paper treasury warrant even when you have selected direct deposit. This may occur if the direct deposit information was not completed in its entirety. In addition, if you elect direct deposit and indicate that 100% of the refund will be transferred out of the United States, you will not be able to receive your refund through direct deposit and TRS will issue your refund payment as a paper treasury warrant mailed to the address listed on your TRS6 form.

Be sure to include your name and Social Security Number on both pages of the form.

Step 2: Send the completed application to:

**Teacher Retirement System of Texas
1000 Red River St.
Austin, TX 78701-2698**

Step 3: Prior to issuing a refund, TRS will confirm that all of your TRS-covered employment has terminated. TRS will contact your previous employer(s) to confirm your date(s) of termination and final monthly contributions. **TRS recommends that you do not submit an *Application for Refund* form (TRS6) until your TRS-covered employment has terminated.**

Step 4: If you would like to roll over all or a portion of your accumulated contributions that are eligible for rollover, a *Refund Rollover Election* form (TRS6A) must be submitted to our office. You must complete and sign the form TRS6A indicating the amount that you wish to roll over. The representative of the retirement plan (plan administrator or trustee) accepting the rollover must also sign the form certifying that the plan is eligible to receive the funds being rolled over from your TRS account. Refer to the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas* included with the *Requesting a Refund* packet for additional information as you consider whether to roll over your refund.

Step 5: Once TRS has confirmed that all of your TRS-covered employment has been terminated and all required documents have been received, TRS will request that the State Comptroller of Public Accounts issue you a refund payment. The initial payment will represent the balance in your account at that time, less any required amounts withheld for federal income taxes. If additional deposits are reported by your TRS-covered employer and you have not returned to a TRS-eligible position, you will receive a second refund payment.

The refund will not be processed if records indicate that you have been re-employed by a TRS-covered employer. Your refund payment may be held by the State Comptroller of Public Accounts for other reasons including indebtedness to the state for delinquent child support or for nonpayment of federal or state taxes.