



**NEW YORK STATE TEACHERS' RETIREMENT SYSTEM**  
**10 Corporate Woods Drive, Albany, NY 12211-2395**

OFFICE SERVICES ONLY

## **DISTRIBUTION LOAN APPLICATION FOR TIER 1 AND 2 MEMBERS**

**PLEASE REVIEW ALL PAGES BEFORE COMPLETING THIS APPLICATION.  
FILING FOR A LOAN ON THIS FORM MAY RESULT IN TAXABLE INCOME  
AT ISSUANCE.**

This application is to be used only for:

1. A loan equal to your non-taxable contributions. (Write "NO TAX" in the "LOAN REQUEST" box.) Although non-taxable at issuance, the loan may be considered taxable at default.

If you are retiring in the near future and wish to remove your non-taxable contributions, you should file a 5-YEAR LOAN APPLICATION. Filing more than 30 days prior to your requested retirement date may result in some taxable income at default. You may want to contact the System concerning the total withdrawal of your contributions at retirement instead of applying for a loan. This form cannot be used to apply for a total withdrawal.

2. A loan with a repayment schedule extending beyond five years. If you have an existing loan, a portion of the total combined loan, not just the additional loan, may be taxable at the time of issuance.
3. A loan with a repayment schedule of less than five years where the \$50,000 or 1/2 accrued benefit IRS exception applies. There could be a tax consequence for this loan at issuance.

You should be aware that loans which are distributions at issuance, regardless of whether they are taxable, may impact the taxability of future transactions. Please refer to the estimate sent to you with this application for approximate tax consequences, if any. If you did not receive an estimate, you should request one from the Loan Unit before completing this application.

## TAX INFORMATION FOR DISTRIBUTION LOANS

We wish to alert you to the fact that if your loan is a distribution, a portion may be reportable as Federal taxable income upon issuance. Distributions include:

- 1) All loans with a repayment schedule exceeding 5 years;
- 2) A loan equal to or greater than \$50,000 or one where the highest outstanding loan balance during the previous 12 months plus the current loan balance equals or exceeds \$50,000, and;
- 3) A loan equal to or greater than \$10,000 which exceeds ½ your accrued benefit with this System. The taxable portion of the distribution is calculated by using all of your pre-1987 contributions and previously taxed interest; only a portion of contributions you made after December 31, 1986, may be considered non-taxable. The remaining portion of these post-1986 contributions would be considered as part of your cost of annuity (excludable amount) for subsequent transactions or at the time of retirement.

In addition, you may be subject to an additional 10% penalty on the taxable portion if you are less than 59 ½ at the time of the transaction. If you are at least 55 and your loan is defaulted at retirement, the penalty does not apply at that time. It may, however, apply at the time your loan is issued.

The law requires the System to withhold Federal income tax at the rate of 10% of the taxable portion of your loan unless you elect not to have withholding apply. We remind you that even if you elect not to have Federal income tax withheld, you are liable for payment of Federal income tax on the taxable portion of your loan; that portion will be taxed as Ordinary Income at issuance. You also may be subject to tax penalties under the estimated tax payment rules if your payments of estimated tax and withholding, if any, are not adequate.

If your loan is taxable, complete the withholding election below and return this page with your application. You will be notified of the taxable amount and withholding (if any) at the time you receive your loan check. It is not necessary to complete this election if you are filing for a "NO TAX" loan.

Name \_\_\_\_\_ Membership # \_\_\_\_\_

Check One:

I do not want Federal income tax withheld from my loan check

Withhold Federal income tax from my loan check

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

