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This section of the FEDERAL REGISTER contains regulatory documents having general applicability and legal effect, most of which are keyed to and codified in the Code of Federal Regulations, which is published under 50 titles pursuant to 44 U.S.C. 1510.

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FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

5 CFR Parts 1605, 1650, and 1690

RIN 3222-AA00

Roth In-Plan Conversions

AGENCY: Federal Retirement Thrift Investment Board.

ACTION: Final rule.

SUMMARY: The Federal Retirement Thrift Investment Board (FRTIB) is amending a regulation to permit participants in the Thrift Savings Plan (TSP) to convert amounts in their traditional TSP balances to their Roth TSP balances, subject to applicable tax consequences.

DATES: The effective date is January 28, 2026.

FOR FURTHER INFORMATION CONTACT: *For press inquiries:* James Kaplan at (202) 465-5220. *For other inquiries:* Laurissa Stokes at (202) 942-1645.

SUPPLEMENTARY INFORMATION: The FRTIB administers the TSP, which was established by the Federal Employees' Retirement System Act of 1986 (FERSA), Public Law 99-335, 100 Stat. 514. The TSP is a retirement savings plan for Federal civilian employees and members of the uniformed services. It is similar to cash or deferred arrangements established for private-sector employees under section 401(k) of the Internal Revenue Code (26 U.S.C. 401(k)). The provisions of FERSA that govern the TSP are codified, as amended, largely at 5 U.S.C. 8351 and 8401-80.

I. Background

A Roth in-plan conversion allows a TSP participant to move funds from a traditional (pre-tax and tax-exempt) balance to a Roth (after-tax) balance within the TSP. This conversion triggers taxation on the converted amount but offers the potential for tax-free withdrawals in retirement. Since Roth TSP contributions were introduced in 2012, participants have expressed

interest in converting traditional balances to Roth balances within the plan. The 2024 TSP Participant Satisfaction Survey asked participants about their interest in a Roth in-plan conversion feature. Thirty-five percent of respondents who were familiar with Roth contributions replied that they are "likely" or "extremely likely" to use an in-plan conversion feature if offered in the TSP. In response, the FRTIB collaborated with its record keeper to enable these conversions, which require a regulatory amendment.

II. Proposed Rule

On October 15, 2025, the FRTIB published a proposed rule in the **Federal Register** (90 FR 48267) to amend 5 CFR part 1650 by adding Subpart F. This new subpart establishes rules for Roth in-plan conversions in the TSP.

III. Response to Public Comments

The FRTIB received comments from 36 individuals and entities in response to the proposed rule regarding Roth in-plan conversions within the TSP. Overall, commenters supported adding this feature, noting its potential to increase flexibility in retirement planning for TSP participants. To organize our response, we have grouped the comments into four general categories:

- In-scope comments addressing the substance of the proposed rule;
- Out-of-scope comments about topics beyond the scope of this rulemaking;
- Comments related to tax liability implications; and
- Miscellaneous comments that did not fit neatly into the other categories.

Before addressing the public comments, we will respond to two rulemaking petitions received during the comment period. The petitioners alleged procedural deficiencies under the Regulatory Flexibility Act, the Paperwork Reduction Act, and the Unfunded Mandates Reform Act. Specifically, the petitioners claimed the rule would negatively impact small entities and that the FRTIB failed to comply with requirements under these Acts to assess such impacts.

Upon review, we find the petitioners' concerns to be unfounded. The rule applies exclusively to TSP participants and does not impose any obligations on other entities, including other defined

contribution plans. Additionally, the petition reflects a misunderstanding of the rule's origin, incorrectly attributing its issuance to the Internal Revenue Service (IRS) rather than the FRTIB. Accordingly, the FRTIB denies the petitions. We find no procedural deficiencies in the rulemaking process.

A. In-Scope Comments

1. Conversion Frequency

Two commenters recommended that the final rule specify the number of Roth conversions permitted annually, rather than leaving this determination to the discretion of the TSP record keeper. The FRTIB agrees with this recommendation and has revised the regulatory text to allow participants to request up to a maximum of 26 conversions per calendar year. This limit aligns with the biweekly pay schedule used by many federal payroll offices and provides participants with regular opportunities to manage their retirement savings strategy. Participants may make multiple conversions within a single pay period; the rule does not restrict them to one conversion per pay period.

2. Eligibility To Request In-Plan Conversions

One commenter asked for clarification regarding who may request a Roth in-plan conversion. A conversion may be requested by "a participant or a beneficiary participant." This includes active participants, separated participants who maintain TSP accounts after leaving federal service, and surviving spouses of deceased participants for whom a separate beneficiary participant account has been established. Non-spouse beneficiaries or alternate payees are not eligible to request Roth in-plan conversions.

3. Conversion of Tax-Exempt Balances

One commenter recommended that the rule permit Roth conversions of tax-exempt balances, such as contributions made from combat zone pay, in addition to pre-tax balances. The term "traditional balance", as defined in the 5 CFR 1690.1, encompasses both tax-exempt balances and pre-tax balances. Accordingly, the FRTIB confirms that the final rule authorizes conversions of both tax-exempt balances and pre-tax balances. These conversions must comply with IRS pro rata requirements, which mandate that any Roth

conversion proportionally include tax-exempt and pre-tax amounts based on their ratio of the total traditional balance.

4. \$500 Conversion Minimum

One commenter recommended elimination of the \$500 minimum for Roth in-plan conversions “[t]o facilitate immediate or automatic conversions.” The FRTIB established the \$500 minimum to discourage small, frequent conversions that could increase administrative complexity and costs, and to promote operational efficiency. A minimum threshold ensures that conversions are substantive and mitigates potential burdens on the TSP’s recordkeeping system. The \$500 amount was selected as a reasonable balance between flexibility for participants and operational considerations for the TSP record keeper. Accordingly, the final rule retains the \$500 conversion minimum.

5. \$500 Minimum Balance

Four commenters objected to the provision requiring participants to retain \$500 in each balance type with payroll contributions. This requirement is designed to mitigate the impact of payroll errors and corrections, which are typically small and often under \$500. For example, if a payroll office mistakenly deposits funds into the wrong balance, having a buffer in place ensures that those errors can be easily corrected without creating negative balances or operational complications. Accordingly, the final rule retains the requirement that participants keep at least \$500 in each of their tax-deferred employee contribution, tax-exempt contribution, agency automatic (1%) contribution, and agency matching contribution balances when requesting a Roth conversion.

6. Automatic Conversion Tool

Two commenters suggested implementing a tool that would automatically convert traditional balances to Roth balances once the traditional balance reaches a certain threshold amount. While the FRTIB understands the appeal of automation, Roth in-plan conversions carry significant tax implications. To ensure participants make informed and deliberate decisions, the FRTIB will not implement automatic conversions.

B. Out-of-Scope Comments

Several comments offered valuable perspectives on TSP participant preferences and concerns. Although these suggestions are beyond scope of this rulemaking, the FRTIB will

consider them as part of its ongoing evaluation of TSP features and efforts to address participant needs.

1. Different Investment Allocations for Roth and Traditional Balances

Fifteen commenters requested the ability to allocate Roth and traditional balances to different TSP funds. While the FRTIB understands the rationale for these requests in light of common financial planning strategies, implementing such functionality would require extensive modifications to the TSP’s recordkeeping and investment systems. These changes would involve significant programming, testing, and operational adjustments, resulting in increased complexity and costs for all participants. Because these modifications are beyond the scope of this rulemaking, they are not addressed in the final regulation.

Similarly, one commenter expressed concern that investment allocations are shown for traditional and Roth balances in the aggregate and not as separate balances, on participant statements and My Account, and therefore participants are prevented from determining the allocation of specific fund holdings of those balances. The TSP’s investment and recordkeeping systems are designed to apply a single investment allocation across the entirety of a participant’s account regardless of tax treatment. Allowing separate allocations for traditional and Roth balances would require fundamental changes to these systems and are beyond the scope of this rulemaking. However, participants can easily determine the allocation themselves since the system applies allocations proportionally across all balances.

2. Designation of Agency Contributions as Roth

Four commenters suggested allowing agency automatic and matching contributions to be designated as Roth contributions, as permitted under section 604 of the SECURE Act 2.0. While the FRTIB recognizes the reasoning behind these requests, this rulemaking is narrowly focused on permitting participants to convert existing traditional balances to Roth balances. The FRTIB will consider this suggestion as a potential future enhancement.

3. Fund-Specific Withdrawals

One commenter suggested allowing participants to choose which TSP funds their withdrawals come from, rather than having withdrawals applied proportionally across all funds. This issue pertains to the broader withdrawal

mechanics of the TSP and is, therefore, outside the scope of this rulemaking.

4. Voluntary After-Tax Contributions

Eight commenters recommended permitting voluntary after-tax contributions in addition to Roth and traditional contributions. The TSP is governed by FERSA, which only authorizes Roth and traditional contributions. Implementing voluntary after-tax contributions would require an amendment to FERSA by Congress. Because this statutory authority does not currently exist and this topic is beyond the scope of this rulemaking, the final regulation does not address this request.

C. Tax Liability

Several commenters made suggestions related to the tax implications of Roth in-plan conversions, which we address below. The FRTIB does not have authority to alter the tax consequences of Roth in-plan conversions or to determine the methods available for paying tax obligations. These tax implications are governed by section 402A of the Internal Revenue Code. Such matters fall under the jurisdiction of the Internal Revenue Service and cannot be addressed through FRTIB regulations. However, the FRTIB recognizes the importance of providing clear communication to help participants understand the tax consequences of their decisions.

1. Education on Tax Liability

Commenters emphasized the need for clear guidance on the tax consequences of converting traditional TSP balances to Roth and the ways in which participants can pay for the income tax due as a result of the conversion. The FRTIB agrees that education is essential and is actively developing participant communications to explain the tax implications, including that converted amounts are subject to federal income tax and must be paid using personal funds from another source, such as a savings account. These materials will be made available on the TSP website and through other participant outreach channels.

2. Estimating Tax Obligations

Commenters requested tools to help participants estimate their federal, state, and local tax liabilities resulting from conversions. The FRTIB is developing a calculator that will allow participants to model the estimated tax effect of their conversions. This tool will be available prior to the implementation of the Roth in-plan conversion feature.

3. Paying Income Taxes on Converted Amounts

Three commenters suggested that the final rule permit withholding or specify the withholding rates for taxable converted amounts. The FRTIB cannot adopt these suggestions because, under IRS guidance, no withholding applies to a Roth in-plan conversion of an otherwise nondistributable amount, and no part of the conversion may be withheld voluntarily pursuant to 26 U.S.C. 3402(p). Therefore, participants must use personal funds from another source, such as a savings account, to satisfy their tax obligations.

D. Miscellaneous

Several commenters raised questions and suggestions that fall into a miscellaneous category. These comments touched on operational clarity, participant communications, and procedural transparency. In response, the FRTIB has adopted one commenter's suggestion and offers the following clarifications.

1. Notices

Commenters stated the rule should require the TSP record keeper to provide participants with clear written notice of the tax consequences of a Roth in-plan conversion, and that participants acknowledge receipt of such notice before the conversion is executed. The FRTIB agrees that participant education is essential. Accordingly, the TSP will provide comprehensive communications, including web content, notices, and interactive tools explaining the tax implications of conversions. We will also require participants to acknowledge receipt and understanding of such communications prior to completing a Roth in-plan conversion.

While the FRTIB agrees that providing clear information about the tax consequences of Roth conversions is essential, we do not believe it is appropriate to include this requirement in the regulatory text because section 402(f) of the Internal Revenue Code and IRS regulations already govern the obligation of retirement plans to provide notice to plan participants of tax consequences of certain transactions. The FRTIB will ensure compliance with section 402(f) of the Internal Revenue Code and related IRS guidance.

2. Explanation of Conversion Denials

One commenter recommended requiring the TSP record keeper to (1) provide a written explanation when a conversion request is denied, (2) identify the corrective actions needed, and (3) set a clear timeline and

procedure for appeals. The FRTIB has adopted this recommendation in part. Newly added paragraph (g) requires the TSP record keeper to promptly notify the requestor if their Roth in-plan conversion request is denied. However, the rule does not prescribe the format of the notice, allowing flexibility as transaction methods evolve. Initially, conversions will be processed online only. Notice of ineligibility for a Roth in-plan conversion will be prominently displayed, in real time, on the screen. To determine corrective actions needed, participants may be required to call the ThriftLine. The timeline and procedure for appeals are set forth in 5 CFR 1605.22.

3. Required Minimum Distributions (RMDs)

A commenter asked whether Roth conversions can be processed in years in which participants are subject to RMDs. The FRTIB clarifies that conversions may occur in such years; however, the RMD must be satisfied in full before any conversion is processed. This ensures compliance with IRS rules prohibiting the conversion of RMD amounts.

4. Roth Character of Converted Balances

A commenter suggested FRTIB regulations should state whether converted Roth balances retain their Roth character for purposes of rollovers requested after conversion. Rules that determine tax treatment of distributions after conversion are established under the Internal Revenue Code and enforced by the IRS. Because these requirements fall under IRS authority, they are not incorporated into FRTIB regulations.

IV. Non-Substantive Conforming Amendments

The final rule adds a definition of the term Roth in-plan conversion. The definition references 26 U.S.C. 402A(c)(4) to ensure consistency with the Internal Revenue Code, which governs the tax treatment of such conversions. By directly incorporating the statutory reference, the regulation avoids ambiguity and reduces the risk of conflicting interpretations.

The final rule also replaces all instances of the term "Roth initiation date" in 5 CFR part 1600 with the term "Roth begin date" to align with terminology now used in communications and educational materials provided to TSP participants.

Regulatory Flexibility Act

This final regulation will not have a significant economic impact on a substantial number of small entities. This regulation will affect Federal

employees and members of the uniformed services who participate in the TSP and who choose to convert their traditional balance to a Roth balance within the TSP.

Paperwork Reduction Act

This final regulation does not require additional reporting under the criteria of the Paperwork Reduction Act.

Unfunded Mandates Reform Act of 1995

Pursuant to the Unfunded Mandates Reform Act of 1995, 2 U.S.C. 602, 632, 653, and 1501–1571, the effects of this regulation on State, local, and Tribal governments and the private sector have been assessed. This regulation will not compel the expenditure in any one year of \$100 million or more by State, local, and Tribal governments, in the aggregate, or by the private sector. Therefore, a statement under 2 U.S.C. 1532 is not required.

Submission to Congress and the Government Accountability Office

Pursuant to 5 U.S.C. 801(a)(1)(A), the FRTIB submitted a report containing this rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Government Accountability Office before publication of this rule in the **Federal Register**. This rule is not a major rule as defined at 5 U.S.C. 804(2).

List of Subjects

5 CFR Part 1605

Claims, Government employees, Pensions, Retirement.

5 CFR Part 1650

Alimony, Claims, Government employees, Pensions, Retirement.

5 CFR Part 1690

Government employees, Pensions, Retirement.

Ravindra Deo,

Executive Director, Federal Retirement Thrift Investment Board.

For the reasons stated in the preamble, the FRTIB amends 5 CFR parts 1605, 1650, and 1690 as follows:

PART 1605—CORRECTION OF ADMINISTRATIVE ERRORS

■ 1. The authority citation for part 1605 continues to read as follows:

Authority: 5 U.S.C. 8351, 8432a, 8432d, 8474(b)(5) and (c)(1). Subpart B also issued under section 1043(b) of Public Law 104–106, 110 Stat. 186 and § 7202(m)(2) of Public Law 101–508, 104 Stat. 1388.

§§ 1605.11, 1605.15, 1605.17 [Amended]

■ 2. Amend §§ 1605.11(c)(13), 1605.15(d), and 1605.17(c)(1) by removing the words “Roth initiation date” and adding, in their place, the words “Roth begin date.”

PART 1650—METHODS OF WITHDRAWING FUNDS FROM THE THRIFT SAVINGS PLAN

■ 3. The authority citation for part 1650 continues to read as follows:

Authority: 5 U.S.C. 8351, 8432d, 8433, 8434, 8435, 8474(b)(5) and 8474(c)(1).

Subpart A—General

■ 4. Amend § 1650.1(b) by adding, in alphabetical order, the definition for “Roth in-plan conversion” to read as follows:

§ 1650.1 Definitions.

* * * * *

(b) * * *

Roth in-plan conversion means a taxable rollover to a designated Roth account as stated in 26 U.S.C. 402A(c)(4).

* * * * *

§ 1650.25 [Amended]

■ 5. Amend § 1650.25(c) by removing the words “Roth initiation date” and adding, in their place, the words “Roth begin date”.

■ 6. Amend part 1650 by adding subpart F to read as follows:

Subpart F—Roth In-Plan Conversions**§ 1650.60 Eligibility and general rules for Roth in-plan conversions.**

(a) A participant or beneficiary participant may request up to a maximum of 26 Roth in-plan conversions per calendar year.

(b) To be eligible for a Roth in-plan conversion, the participant or beneficiary participant must have a vested account balance of at least \$500 at the time of the request.

(c) The total amount of a conversion request must be at least \$500.

(d) Participants must retain at least \$500 in each of their tax-deferred employee contribution, tax-exempt contribution, agency automatic (1%) contribution, and agency matching contribution balances.

(e) Amounts invested in the Mutual Fund Window cannot be converted unless those amounts are first transferred back into one or more of the TSP core funds.

(f) Administrative holds placed pursuant to § 1690.15 will restrict an

individual from requesting a Roth in-plan conversion.

(g) The TSP record keeper shall promptly notify the participant or beneficiary participant if their Roth in-plan conversion request is denied.

PART 1690—THRIFT SAVINGS PLAN

■ 7. The authority citation for part 1690 continues to read as follows:

Authority: 5 U.S.C. 8474.

§ 1690.1 Definitions.

■ 8. Amend § 1690.1 by removing the definition for “Roth initiation date” and adding, in alphabetical order, the definition for “Roth begin date” to read as follows:

* * * * *

Roth begin date means

(1) The earlier of:

(i) The actual date of a participant’s first Roth contribution to the TSP;

(ii) The “as of” date or attributable pay date (as defined in § 1605.1 of this subchapter) that established the date of the participant’s first Roth contribution to the TSP; or

(iii) The date used, by a plan from which the participant directly rolled over Roth money into the TSP, to measure the participant’s Roth 5 year non-exclusion period.

(2) If a participant has a civilian account and a uniformed services account, the Roth initiation date for both accounts will be the same.

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[FR Doc. 2026–00765 Filed 1–14–26; 8:45 am]

BILLING CODE 6760–01–P

DEPARTMENT OF TRANSPORTATION**Federal Aviation Administration****14 CFR Part 71**

[Docket No. FAA–2025–0632; Airspace Docket No. 24–ASW–23]

RIN 2120–AA66

Establishment of Class E Airspace; Zuni, NM; Correction

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule; correction.

SUMMARY: This action corrects a final rule that FAA published in the **Federal Register** on December 8, 2025. The final rule established Class E airspace extending upward from 700 feet above the surface for Zuni, NM. This action corrects an error in the legal description.

DATES: The effective date of the final rule published in the **Federal Register** on December 8, 2025 (90 FR 56682) remains May 14, 2026, 0901 UTC. The Director of the Federal Register approves this incorporation by reference action under 1 CFR part 51, subject to the annual revision of FAA Order JO 7400.11 and publication of conforming amendments.

ADDRESSES: FAA Order JO 7400.11K, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at www.faa.gov/air_traffic/publications/. You may also contact the Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783.

FOR FURTHER INFORMATION CONTACT: Raul Garza Jr., Federal Aviation Administration, Operations Support Group, Central Service Center, 10101 Hillwood Parkway, Fort Worth, TX 76177; telephone (817) 222–5874.

SUPPLEMENTARY INFORMATION:**History**

The FAA published a final rule for Docket No. FAA–2025–0632 in the **Federal Register** (90 FR 56682; December 8, 2025), establishing Class E airspace extending upward from 700 feet above the surface at Zuni, NM. After publication, the FAA found that an incorrect region was used in the header. This action corrects the error, which listed the region as AWP (Western Pacific). The correct region is ASW (Southwest). The dimensions of the airspace remain unchanged.

Correction to the Final Rule

Accordingly, pursuant to the authority delegated to me, Docket No. FAA–2025–0632 published in the **Federal Register** on December 8, 2025 (90 FR 56682), FR Doc. 2025–22145, is corrected as follows:

§ 71.1 [Corrected]

■ 1. On page 56683, in the third column, delete the bolded header text: “AWP NM E5 Zuni, NM [Established]” and replace it with: “ASW NM E5 Zuni, NM [Corrected]”.

Issued in Fort Worth, Texas, on January 8, 2026.

Courtney E. Johns,

Acting Manager, Operations Support Group, ATO Central Service Center.

[FR Doc. 2026–00752 Filed 1–14–26; 8:45 am]

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