



New York State Teachers' Retirement System

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NYSTRS.org

Loan Truths... And Consequences

Video Transcript

So you want to take out a loan from NYSTRS? Be aware, borrowing against your contributions can have its ups and downs.

The good news is, you take out a loan, you'll have money. The not-so-good news: you do have to pay us back. And depending on the loan and how long it takes you to pay it off, Uncle Sam might get involved.

Eligible members can take out a new loan each calendar year, so the question is, how can you avoid loan taxability? If you pay back your initial loan in the original five-year payoff period and the loan amount is under the IRS limit, you're good. If you take out a second loan, you need to pay everything back in the original five-year term from the first loan, or you could be taxed the following year. So the key here is shortening the term of that second loan.

Now as this chart clearly illustrates, it's complicated. So how do you know if the loan you're taking out might be taxed? Go to our website, log in to MyNYSTRS and do some loan estimates. Then do some more: the smaller the loan amount and the shorter the repayment term, the less likely you are to have to pay taxes.

The bottom line is, loan taxability is a difficult topic and no one wants to be surprised by an unexpected tax bill. To learn more, head to NYSTRS.org and read our Loan Taxability tutorial, or give us a call at (800) 348-7298, extension 6080.