

request for additional Information

Forms and publications that may be of assistance:

- Form 1040 Instructions
- Form 8880, Credit for Qualified Retirement Savings Contributions
- Publication 590, Individual Retirement Arrangements (IRAs)
- Publication 17, Your Federal Income Tax for Individuals

Obtaining the forms and publications referred to in this brochure is as easy as dialing a toll-free number or accessing a website.

Internal Revenue Service (IRS)

www.irs.gov

IRS Tax Forms
1-800-TAX-FORM
(800-829-3676)

IRS Tax Information
1-800-TAX-1040
(800-829-1040)

Free Tax Return Assistance - Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) Sites offer free tax return preparation to individuals having low to moderate income.

To find free tax help near you,
call IRS at 1-800-829-1040
or AARP TaxAide at 1-888-227-7669.



IRS

Department of the Treasury
Internal Revenue Service

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the **Life** **CYCLE** series

A series of informational publications
designed to educate taxpayers about
the tax impact of significant life events.

Retirement Savings Contributions Credit

*Tax Information about
Saving for Retirement*

**Tax Benefits, Credits,
and Other Information.**



Get the Tax Credit You Deserve

This brochure is intended to provide individuals with information on a credit related to retirement savings contributions.

What is the retirement savings contributions credit (commonly referred to as the “saver’s credit”)?

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), you may be able to take a tax credit. The amount of the saver’s credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income and filing status. The lower your income, the higher the credit rate. These factors will determine the maximum credit you may be allowed to take.

Who can claim the credit?

For each tax year you make an eligible contribution to a qualified retirement plan, an eligible deferred compensation plan, or an IRA, you can claim the credit if you meet certain qualifications:

- You must be at least 18 years of age.
- You are not a full-time student.
- No one else, such as your parent(s), claims an exemption for you on their tax return.
- Your modified adjusted gross income meets the tax year limitations. (See the Publication 590 or Pub 17 for the tax year you are filing for the income limitations.)

When do contributions have to be made?

You can file your tax return claiming a traditional IRA contribution before the contribution has actually been made. Generally, the contribution must be made by the due date of your return, not including extensions. For most people, this means that contributions must be made April 15th.

Additionally, you can make a contribution to your IRA by having your income tax refund (or a portion of your refund), if any, paid directly to your traditional IRA or Roth IRA. For more details, see the instructions for your income tax return or Form 8888, Direct Deposit of Refund to More Than One Account.

What does the credit do for me?

The saver’s credit reduces your income tax dollar-for-dollar, but not less than zero. You may be able to take a tax credit of up to \$1,000 (\$2,000 if married filing jointly).

You are building assets by contributing to a retirement plan. In addition, contributions to a retirement plan are often matched by your employer. The earnings on the retirement plan are tax-deferred until you begin taking the money out for retirement.

What is an eligible contribution?

Eligible contributions include:

- Contributions (other than rollover contributions) to a Traditional or a Roth IRA
- Salary reduction contributions (elective deferrals, including amounts designated as after tax Roth contributions) to:
 - A 401(k) plan [including a SIMPLE 401(k)]
 - A 403(b) annuity
 - A governmental 457 plan
 - A SIMPLE IRA plan
 - A salary reduction SEP
- Contributions to a 501(c)(18)(D) plan
- Voluntary after-tax employee contributions to tax-qualified retirement plan or section 403(b) annuity plan. Voluntary does not include contributions made as a condition of employment.

The above amounts may be shown in box 12 of your Form(s) W-2.



How do I claim the credit?

By making eligible contributions to an employer-sponsored retirement plan or to an IRA, you have completed the first step in qualifying for the credit. Complete Form 8880, Credit for Qualified Retirement Savings Contributions, to determine the rate and amount of the credit, and attach the form to your current year income tax return.

Questions & Answers

- Q** My contributions to my employer plan are pre-tax; do I still qualify for the credit?
A Yes, this credit can have double benefits for you if all other requirements are met.
- Q** If I have contributed to an IRA and take a deduction on my tax return, can I still qualify for the credit?
A Yes, this credit can have double benefits for you if all other requirements are met.
- Q** I normally receive earned income credit (EIC) at the end of the year, but don’t believe I can afford to put money in a retirement plan – what are my options?
A Talk to your employer about the advance EIC and use a portion of that to invest in your retirement plan, or use a portion of your EIC after filing your return to contribute to an IRA. This contribution may also be deductible on your tax return.
- Q** If I am a full time student who works and makes contributions to my employer sponsored plan, will I qualify for this credit?
A No, a full-time student is not eligible for the credit.

Q I’m a working retiree who receives a pension and contributes to a Roth IRA; can I qualify for this credit?

A You may be able to take this credit if you make eligible contributions to a qualified retirement plan (includes IRAs) and if you meet all other requirements.

Q My tax liability has always been zero in the past, due to other credits. Can I get any part of this credit refunded if I have no tax liability?

A No, the saver’s credit is a non-refundable credit. It cannot be more than the amount of tax that you would otherwise pay. If your tax liability is reduced to zero by other non-refundable credits, you would not be entitled to this credit.

Q I’m under 59 1/2 years old. What happens if I withdraw my money from my retirement account?

A Unless you meet one of the exceptions, distributions taken before age 59 1/2 are subject to additional taxes. This law is there to discourage use of retirement and pension funds for the purposes other than normal retirement. You also must include the amount in your income on your tax return.

In addition, certain distributions will reduce your eligible contributions for the saver’s credit for the current year and other years in the “testing period.” See Publication 590 for details related to the testing period.

