How the Saver's Tax Credit Can Boost Your Retirement Savings

The average retirement benefit from Social Security may not be enough to pay for your expenses during retirement. The federal government encourages low-income earners to save for retirement through a tax credit called the Saver's Credit. It is a non-refundable tax credit for individuals who make under $30,750 or married couples who make under $61,500 a year. Only 25 percent of those eligible for the Saver's Credit based on their income take advantage of the credit.

How Does the Saver's Credit Work?

The Saver's Credit can reduce the amount of taxes you owe the federal government when you save for retirement. Individuals who make less than $30,750 a year, and who save for retirement, can receive a credit of up to $1,000 on their federal income taxes. Married couples who file together and make less than $61,500 a year, can receive up to a $2,000 tax credit on their federal income taxes. The Saver's Credit can be worth 10 to 50 percent of the amount that you saved for retirement during the year. See the chart at the bottom of the page to find out how much your credit can be.

In order to be eligible for the Saver's Credit, you or your spouse must contribute to a retirement plan and meet other requirements. See the checklist to the right for list of other requirements and which retirement plans are eligible.

The Credit is non-refundable, meaning that it can only decrease the amount of federal taxes that you owe and cannot provide a refund. However, the Saver's Credit can be combined with other tax credits that can provide a refund, such as the Earned Income Tax Credit (EITC).

Requirements for the Saver's Credit

- Age 18 and over
- Not a full-time student
- Are not claimed as a dependent on another filer's return
- Make less than $30,750 if single, or $61,500 if married
- Make a retirement contribution to a myRA, Individual Retirement Account (IRA), 401(k), 403, or 457 plan.
- File a Federal Form 1040 or 1040A U.S. Individual Income Tax Return

2016 SAVER'S CREDIT

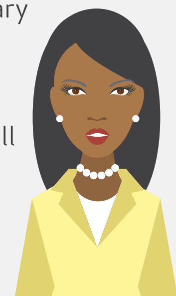
CREDIT RATE	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	SINGLE
50% of your contribution	Income is less than $37,000	Income is less than $27,750	Income is less than $18,500
20% of your contribution	$37,001 - $40,000	$27,751 - $30,000	$18,501 - $20,000
10% of your contribution	$40,001 - $61,500	$30,001 - $46,125	$20,001 - $30,750
0% of your contribution	more than $61,500	more than $46,125	more than $30,750

Meet Tanya

Tanya is a single administrative assistant working in California who makes $25,000 a year.

She contributes $1,250 or 5% of her salary to a myRA.

Because her income is over $20,000 the chart on the first page indicates Tanya will receive a 10% credit or $125 on her federal income taxes when she flies for the Saver's Credit because of her retirement contribution.

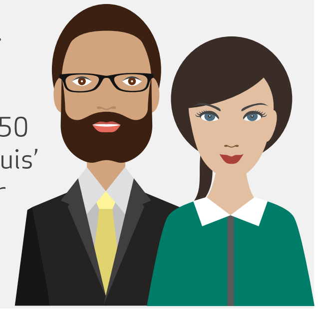


Meet Luis and Christina

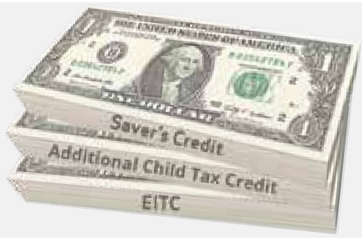
Luis and Christina are married and file their taxes together. Luis is a plumber in Maryland and earns $35,000 a year. Christina is not employed.

Luis contributes $1,500 to an IRA.

The chart on the first page tells us Luis and Christina could receive a 50 % tax credit or $750 because of Luis' IRA contribution when they file for the Saver's Credit on their federal tax form.



Saver's Credit + EITC = Refund



As mentioned on the first page, the Saver's Credit is non-refundable, meaning that it alone cannot provide you with a refund. But, taxpayers using the Saver's Credit along with the EITC and the Additional Child Tax Credit could receive larger refunds.

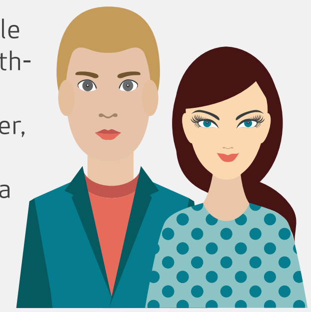
Apply the Saver's Credit to the amount of tax that you owe first – this reduces the amount of tax that you owe possibility to zero. Even if your Saver's Credit is larger than the amount of tax that you owe, you can only use the credit to lower the tax you owe to zero. But, by bringing the amount of taxes that you owe to zero, you can receive the full amount of your EITC or Additional Child Tax Credit, if they apply, as a refund. See the example of Aiden and Mia on the right.

How to File for the Saver's Credit

- **Save for Retirement.** Contribute to a retirement plan! See the Requirements the Saver's Credit on page one for eligible plan types.
- **Confirm your Income**. In order to claim the Saver's Credit, you must make less than $61,500 if married and $30,750 if single.
- **Prepare your Taxes.** Consider using a tax preparer such as VITA or AARP to assist you in preparing your taxes.
- **File a "Long-Form" 1040.** To take advantage of the Saver's Credit, you must you the use the Form 1040 or 1040A. You cannot use Form 1040EZ.
- **File a Form 8880.** You will need to fill out and file this form to calculate the amount of the Saver's Credit.

Meet Aiden and Mia

Aiden and Mia file their taxes together and have two children. Together, their income is $30,000. Mia is a private-school teacher and Aiden works part-time.



Mia contributed $900 to a retirement savings account through work, which makes Mia eligible for up to a 50% or $450 Saver's Credit, and the couple has a $4,438 credit from the EITC. They owe $40 in taxes and cannot claim the Additional Child Tax Credit.

By first applying the $450 Saver's Credit to the $40 in taxes that they owe, they reduce taxes to zero. Now their full $4,438 EITC, is paid to Mia and Aiden as refund because it is not reduced by the $40 in taxes that they owed.

2016 Taxes Owed	- $40
Adjusted Saver's Credit	+ $40
2016 EITC	+$4,438
Mia and Aiden's REFUND	+$4,438

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