



Saver's Credit FAQs

You could be eligible for an income tax credit just because you contribute to your retirement saving plan or IRA! The questions and answers below explain how the credit works and will help you determine whether or not you can claim it.

Q1. What is the Saver's Credit?

A1. The Saver's Credit is a credit against taxes you owe. You earn the credit by contributing to a qualified retirement plan (401(k), 403(b) annuity, governmental 457, SIMPLE IRA or certain other employer plans) or an IRA. The credit can be as much as \$1,000.

Q2. Can I claim the Saver's Credit?

A2. You can claim the credit if you meet certain rules and income limits. First, you have to be at least 18 years of age and not a full-time student. Second, no one else can claim you as a dependent. Third, you must have contributed to a qualified retirement plan or an IRA this tax year. You can claim the credit on up to \$2,000 of your contributions.

The credit amount depends on your adjusted gross income and filing status. It may be available to people who earn up to \$53,000 a year. Here's how it breaks down by income and filing status:

Credit Amount for TY 2008	Adjusted Gross Income Limits		
	Joint filers	Head of household	Single or married filing separately
50% of contribution	\$0-\$32,000	\$0-\$24,000	\$0-\$16,000
20% of contribution	\$32,001-\$34,500	\$24,001-\$25,875	\$16,001-\$17,250
10% of contribution	\$34,501-\$53,000	\$25,876-\$39,750	\$17,251-\$26,500

Q3. I don't owe any taxes. Do I get the Saver's Credit as a refund?

A3. No. The Saver's Credit is a "nonrefundable" tax credit. This means it can only be used to reduce the amount of federal taxes you owe. And, if your tax liability is reduced to zero because of other refund credits, then you will not be entitled to this credit.

Q4. My husband and I both contributed to retirement plans this year. Can we both claim the credit?

A4. Yes, if your total household income is under \$53,000 and neither of you is claimed as an exemption on your spouse's or anyone else's tax return, you both can claim the credit on up to \$2,000 each in qualified retirement saving contributions.

Q5. I took money out of my plan last year. Can I still claim the Saver's Credit?

A5. Yes, but the amount you withdrew counts against how much of the credit you can claim. If you withdrew the money in the current tax year or the two years before that, the IRS reduces your credit based on the total amount.

Q6. I took out money from my Roth IRA. Does it count against the credit?

A6. Yes, Roth IRA withdrawals count against the credit amount you can claim. However, if you rolled the amount into another qualified retirement plan or another IRA, then it does not count against the credit.

Q7. Does a loan count against the credit?

A7. No.

Q8. Does the Saver's Credit affect my ability to claim any deduction or exclusion that applies to my contribution?

A8. No. Claiming the Saver's Credit has no impact on your ability to deduct IRA contributions or exclude plan contributions from your gross income if you are entitled to do so.

Q9. How do I claim the Saver's Credit?

A9. *If you use tax preparation software*, use Form 1040A, Form 1040, or Form 1040NR. The credit isn't available on Form 1040EZ. If the software has an interview process, be sure to answer questions about the Saver's Credit. The software may also refer to it as the Retirement Savings Contributions Credit or Credit for Qualified Retirement Savings Contributions.

If you prepare a paper return, fill out Form 8880: Credit for Qualified Retirement Savings Contributions. Complete the form to determine your credit rate and the amount. Then, copy that amount onto the line indicated on Form 1040A, 1040, or 1040NR.

If you use a paid tax preparer, tell them that you may be eligible for the Saver's Credit. They will most likely be aware of the credit, but you should make note of it, too.

Q10. Am I eligible for free tax preparation?

A10. *If you earn less than \$54,000*, you might be eligible for free tax preparation software. The IRS partners with several tax software companies to offer "Free File" – free tax preparation and e-filing. Visit <http://www.irs.gov> and type "Free File" in the search field to learn more.

If you earn less than \$42,000, The IRS's Volunteer Income Tax Assistance (VITA) Program offers free tax help. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. To learn more, go to the IRS website at <http://www.irs.gov/individuals/article/0,,id=107626,00.html>.

Lastly, as part of the IRS-sponsored Tax Counseling for the Elderly (TCE) Program, the AARP Foundation also offers free tax preparation and e-filing for eligible filers. AARP Tax-Aide is a free tax-assistance service for low- and middle-income taxpayers, with special attention to those 60 and over. Learn more at www.aarp.org/money/taxaide.