Another Great Reason to Save for Retirement

Saver's Credit Cuts the Taxes You Owe

Tax-preferred saving is one incentive to encourage you to save for retirement. Did you know the IRS provides another? It’s called the Saver’s Credit, a little-known tax break for filers who earn up to $53,000 a year ($26,500 for single filers). In addition to any tax deductions or exclusions you get on your qualified plan contributions, you could be eligible for a tax credit of up to $1,000.

Here’s how it works

You may be eligible for the Saver’s Credit if:

• your adjusted gross income for 2008 is no more than $53,000 for joint filers or $26,500 for single filers;
• you contributed to a qualified retirement plan (401(k), 403(b) annuity, governmental 457, SIMPLE IRA, or certain other employer plans) or an IRA this tax year;
• you are at least 18 and not a full-time student; and
• no one can claim you as a dependent on his or her tax return.

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:

<table>
<thead>
<tr>
<th>Credit Amount for TY 2008*</th>
<th>Adjusted Gross Income Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Joint filers</td>
</tr>
<tr>
<td>50% of contribution</td>
<td>$0-$32,000</td>
</tr>
<tr>
<td>20% of contribution</td>
<td>$32,001-$34,500</td>
</tr>
<tr>
<td>10% of contribution</td>
<td>$34,501-$53,000</td>
</tr>
</tbody>
</table>

*The credit amount applies to the first $2,000 in contributions.

Forms you need

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.
Some examples

Kelly meets the eligibility criteria. She files her taxes jointly on adjusted gross income of $34,000. Kelly is eligible for a credit on 20% of her 401(k) contribution (see chart).

- Kelly’s contribution for 2008: $2,000
- Amount IRS considers for the credit: $2,000
- Dollar value of 20% credit: $400
- The Saver’s Credit gives Kelly $400 to apply toward any federal tax she owes when she files her 2008 return.

John meets the eligibility criteria. His filing status is single on adjusted gross income of $22,000. John is eligible for a credit on 10% of his retirement plan contribution (see chart).

- John’s contribution for 2008: $2,000
- Amount IRS considers for the credit: $2,000
- Dollar value of 10% credit: $200
- The Saver’s Credit gives John $200 to apply toward any federal tax he owes when he files his 2008 return.

Sarah meets the eligibility criteria. She files her taxes as head of household on adjusted gross income of $24,000. Sarah is eligible for a credit on 50% of her retirement plan contribution (see chart).

- Sarah’s contribution for 2008: $1,000
- Amount IRS considers for the credit: $1,000
- Dollar value of 50% credit: $500
- The Saver’s Credit gives Sarah $500 to apply toward any federal tax she owes when she files her 2008 return.

The Saver’s Credit builds on your own retirement saving, helping you achieve an even more secure future. Claim the credit you deserve!