

CLIENT REPORT:

Saver's Credit

Dear Client:

Many of your employees should be made aware of a significant benefit that will reward them immediately for saving for retirement. The Saver's Credit (also known as the retirement savings contribution credit) is available to encourage lower- and middle-income taxpayers to contribute to an employer-sponsored retirement plan or to an IRA.

The amount of the Saver's Credit is based on the contributions the individual makes and his or her credit rate. The maximum contribution taken into account is \$1,000 (\$2,000 for married couples filing jointly). The credit rate can reach as high as 50 percent depending on adjusted gross income. An individual's filing status also impacts the credit rate.

The credit rates are as follows:

- There is a 50 percent credit rate for married taxpayers filing jointly with income up to \$33,000; for heads of household with income up to \$24,750; and for single individuals with income up to \$16,500.
- There is a 20 percent credit rate for married taxpayers filing jointly with income of \$33,000-\$36,000; heads of household with income of \$24,750-\$27,000; and single individuals with income of \$16,500-\$18,000.
- There is a 10 percent credit rate for married taxpayers filing jointly with income of \$36,000-\$55,500; heads of household with income of \$27,005-\$41,625; and single individuals with income of \$18,000-\$27,750.

Taxpayers must be a minimum of 18 years old and not be claimed on someone else's return as a dependent. A student generally cannot take the credit. Additionally, the Saver's Credit supplements other tax benefits for retirement. Consequently, some individuals may not get the full benefit of the credit.

Please feel free to contact our office if you have any questions about the Saver's Credit. We will be more than happy to assist you.

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