

News

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The Saver's Credit: Only One in Three American Workers Are Aware of This Tax Benefit *Transamerica Center for Retirement Studies® Offers Tips on How to Claim the Saver's Credit*

LOS ANGELES – February 9, 2017 – American workers may be missing out on a valuable tax credit this year. The Saver's Credit, also referred to as the Retirement Savings Contributions Credit by the Internal Revenue Service, is available to eligible taxpayers who are saving for retirement, yet just one in three American workers are aware of the credit, according to the [17th Annual Transamerica Retirement Survey](#).

"Eligible taxpayers may be able to reduce their federal income tax by claiming the Saver's Credit, making it an important incentive to save for retirement in a 401(k), 403(b), IRA, or new *myRA*," said [Catherine Collinson](#), president of nonprofit Transamerica Center for Retirement Studies. "Unfortunately, millions of Americans may be missing out on the Saver's Credit simply because they don't know that it exists."

What Is the Saver's Credit?

The Saver's Credit is a tax credit that may be applied to the first \$2,000 of voluntary contributions an eligible worker makes to a 401(k), 403(b) or similar employer-sponsored retirement plan, or an IRA or *myRA*. The maximum credit is \$1,000 for single filers or individuals and \$2,000 for married couples.

"The Saver's Credit is a tax credit above and beyond the advantage of tax-deferred savings when contributing to a 401(k), 403(b), or IRA, or *myRA*. Because this double benefit sounds too good to be true, many eligible savers may be actually confusing the two incentives," said Collinson.

Who Can Claim the Saver's Credit?

The credit is available to workers aged 18 years or older who have contributed to a company-sponsored retirement plan or IRA or *myRA* in the past year and meet the Adjusted Gross Income (AGI) requirements:

- Single filers with an AGI of up to \$30,750 in 2016 or \$31,000 in 2017 are eligible;
- For the head of a household, the AGI limit is \$46,125 in 2016 or \$46,500 in 2017; and,
- For those who are married and file a joint return, the AGI limit is \$61,500 in 2016 or \$62,000 in 2017.

Additionally, the filer cannot be a full-time student and cannot be claimed as a dependent on another person's tax return. For more details about eligibility, refer to this [fact sheet](#) and [infographic](#).

How Can Workers Claim the Saver's Credit?

"Workers who are eligible to receive the Saver's Credit are at risk of missing it if they use the wrong tax form. The Saver's Credit is not available on Form 1040EZ," said Collinson. "If you are eligible to claim the Saver's Credit, you should use Form 1040, Form 1040A or Form 1040NR."

An added benefit is that workers who are eligible to claim the Saver's Credit are also eligible to take advantage of the IRS **Free File** program for taxpayers with an AGI of \$64,000 or less. Twelve software companies make their tax preparation software available for free through **Free File** at www.irs.gov/FreeFile. Certain restrictions may apply.

Workers can take the following steps to claim the Saver's Credit:

- If you are using tax preparation software to prepare your tax return, including those programs offered through the IRS Free File program, use [Form 1040](#), [Form 1040A](#) or [Form 1040NR](#). The credit is not available with Form 1040EZ. If your software has an interview process, be sure to answer questions about the Saver's Credit, also referred to as the Retirement Savings Contributions Credit and/or Credit for Qualified Retirement Savings Contributions.
- If you are preparing your tax returns manually, complete [Form 8880](#), Credit for Qualified Retirement Savings Contributions, to determine your exact credit rate and amount. Then transfer the amount to the designated line on Form 1040, Form 1040A or Form 1040NR.
- If you are using a professional tax preparer, be sure to ask about the Saver's Credit.
- If you receive a refund, consider directly depositing it into an IRA to further boost your retirement savings.

"Be sure to tell your colleagues, friends and family about the Saver's Credit. Many may have contributed to a 401(k) plan or IRA and are eligible receive it -- but just don't know about it," said Collinson. "Among those who are not saving for retirement, the Saver's Credit might just be the nudge that they need to start. The good news is that it's not too late to contribute to an IRA or *myRA* and claim the Saver's Credit for 2016. You still have until April 18, 2017 to do so."

More information in English and Spanish can be found on the [Saver's Credit page](#) of TCRS' website or at www.irs.gov.

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About Transamerica Center for Retirement Studies

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About the 17th Annual Transamerica Retirement Survey

The online survey was conducted within the U.S. by Harris Poll on behalf of TCRS between April 11 and May 12, 2016 among a nationally representative sample of 4,161 full-time and part-time workers. Potential respondents were targeted based on employment status and company size. Respondents met the following criteria: U.S. residents, age 18 or older, full-time or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted where necessary to bring them into line with the population of U.S. residents age 18+, employed full-time or part-time in for-profit companies with 10+ employees, and to adjust for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who responded to this survey versus those who did not. No estimates of theoretical sampling error can be calculated.