

**News**

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**Many Low- to Moderate-Income Taxpayers Can Benefit From Retirement Savings Contributions Credit (Saver's Credit)**

*Transamerica Center for Retirement Studies® Offers Tips on How to Claim the Tax Credit*

**LOS ANGELES – February 6, 2014** – Many American workers may be missing out on a valuable tax credit this year. The Internal Revenue Service's Retirement Savings Contributions Credit, also known as the Saver's Credit, is available to low- to moderate-income workers who are saving for retirement, yet just 23 percent of American workers with annual household incomes of less than \$50,000 are aware of the credit, according to the 14<sup>th</sup> Annual Transamerica Retirement Survey.

"The Saver's Credit reduces an eligible taxpayer's federal income taxes dollar for dollar, making it a meaningful incentive for low- to moderate-income individuals and households to save for retirement in a 401(k), 403(b) or IRA. Unfortunately, many may be missing out simply because they are unaware of it," said Catherine Collinson, president of nonprofit Transamerica Center for Retirement Studies®. "It's critical that we raise awareness of this important tax credit and opportunity to save for retirement so that more workers can take advantage of it and improve their retirement outlook."

**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. Credits of up to \$1,000 for single filers, and \$2,000 for married couples, are available.

The credit is available to workers aged 18 years or older who have contributed to a company-sponsored retirement plan or IRA in the past year and meet the Adjusted Gross Income (AGI) requirements. Single filers with an adjusted income of up to \$29,500 in 2013 or \$30,000 in 2014 are eligible. For the head of a household, the adjusted income limit is \$44,250 in 2013 or \$45,000 in 2014. For those who are married and file a joint return, the adjusted income limit is \$59,000 in 2013 or \$60,000 in 2014. Additionally, the filer cannot be a full-time student or be claimed as a dependent on another person's tax return.

**How Can Workers Claim the Saver's Credit?**

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

Some good news is that most workers who are eligible to claim the Saver's Credit are also eligible take advantage of IRS' **Free File** program for taxpayers with an AGI of \$58,000 or less. Fourteen commercial software companies make their tax preparation software available for free through **Free File** at [www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free](http://www.irs.gov/uac/Free-File:-Do-Your-Federal-Taxes-for-Free). Certain restrictions may apply.

Workers can take the following steps to claim the credit:

- If you are using tax preparation software to prepare your tax return, including those offered through IRS' Free File program, use Form 1040, Form 1040A or Form 1040NR. The credit is not available with Form 1040EZ; however, the IRS has included instructions with the EZ form directing you to a different form if you choose to claim the credit. If your software has an interview process, be sure to answer questions about the Saver's Credit, Retirement Savings Contributions Credit and/or Credit for Qualified Retirement Savings Contributions.
- If you are preparing your tax returns manually, complete Form 8880, the Credit for Qualified Retirement Savings Contributions, to determine the exact credit rate and amount. Then transfer the amount to the designated line on Form 1040, Form 1040A or 1040NR.
- If you are using a professional tax preparer, be sure to ask about the Saver's Credit.

More information can be found on the [Saver's Credit page](#) at [www.transamericacenter.org](http://www.transamericacenter.org) or at [www.irs.gov](http://www.irs.gov).

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#### **About Transamerica Center for Retirement Studies®**

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#### **About the 14th Annual Transamerica Retirement Survey: Workers**

This survey was conducted online within the United States by Harris Interactive on behalf of TCRS between January 21 and February 21, 2013 among 3,651 full-time and part-time workers of employers with 10 or more employees, including 1,302 with an annual household income of less than \$50,000. Potential respondents were targeted based on job title and full-time or part-time status. Respondents met the following criteria: U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted as needed for the number of employees at companies in each employee size range.

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