

News

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Fewer than Half of U.S. Workers Are Aware of a Tax Credit for Retirement Savers *Transamerica Center for Retirement Studies® Offers Tips on How to Claim the Saver's Credit*

LOS ANGELES – February 18, 2021 – Only 43 percent of U.S. workers are aware of a tax credit that may help them save for retirement, according to [survey findings](#) from nonprofit [Transamerica Center for Retirement Studies®](#) (TCRS). Also referred to as the Retirement Savings Contributions Credit by the Internal Revenue Service (IRS), the Saver's Credit, is available to eligible taxpayers who are saving for retirement.

“Saving for retirement can be difficult in the best of times, but even harder for many during the pandemic and challenging economy,” said [Catherine Collinson](#), CEO and president of TCRS. “The Saver's Credit may help make it easier for workers to save because it lowers their federal income tax.”

What Is the Saver's Credit?

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

“On top of the tax-advantaged treatment of saving for retirement in a 401(k), 403(b) or IRA, the Saver's Credit is an additional benefit that may reduce a worker's federal taxes. Many eligible retirement savers could be confusing these two incentives, simply because the idea of a double tax benefit sounds too good to be true,” said Collinson.

Who Can Claim the Saver's Credit?

The credit is available to workers ages 18 years or older who have contributed to a 401(k), 403(b) or similar employer-sponsored retirement plan, a traditional or Roth IRA, or an ABL account in the past year and meet the Adjusted Gross Income (AGI) requirements:

- Single tax filers: maximum AGI of \$32,500 in 2020 and \$33,000 in 2021 are eligible;
- Heads of households: maximum AGI of \$48,750 in 2020 and \$49,500 in 2021; and,
- Married filing jointly: a maximum AGI of \$65,000 in 2020 and \$66,000 in 2021.

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](#). The IRS also has a [quiz](#) where filers can determine if they are eligible for the credit.

Tips for Claiming the Saver's Credit:

- If you are using an online tax preparation tool to prepare your tax return, including those offered through the IRS Free File program, be sure to answer questions about the Saver's Credit, also referred to as the Retirement Savings Contributions Credit, or Credit for Qualified Retirement Savings Contributions.

- If you are preparing your tax return 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 [Schedule 3](#). Information from Schedule 3 then gets used on Forms 1040, 1040-SR, and Form 1040-NR.
- 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 boost your retirement savings.

Another potentially overlooked opportunity is the *IRS Free File* program. Workers who are eligible to claim the Saver’s Credit are often also eligible to take advantage of this program that offers online tax preparation tools for free to tax filers with an AGI of \$72,000 or less. Nine companies have partnered with the IRS to make their tax preparation tools available at www.irs.gov/FreeFile. Certain restrictions may apply.

“Please help spread the word about the Saver’s Credit by telling family, friends, and colleagues. It may meaningfully impact an individual’s long-term savings, and even inspire non-savers to start saving for retirement,” said Collinson. Individuals who are eligible but did not save last year can still contribute to an IRA until April 15, 2021 and may be able to claim the Saver’s Credit for the tax year 2020.

TCRS has created fact sheets, infographics, and newsletter articles – in English and Spanish – that are available and encouraged for public use at www.transamericacenter.org/saverscredit. More information can also be found at www.irs.gov.

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About the 20th Annual Transamerica Retirement Survey

This online survey was conducted within the U.S. by The Harris Poll on behalf of TCRS from November 6 to December 27, 2019 among a nationally representative sample of 5,277 full- or part-time workers in a for-profit company employing one or more employees. Results were weighted where necessary to bring them into line with the population of U.S. residents age 18+, employed full- or part-time in a for-profit company with one or more 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 respond to surveys versus those who do not. No estimates of theoretical sampling error can be calculated.