

## What is the Saver's Credit?

Low-and moderate income workers who contributed to a retirement plan, such as an IRA or 401(k), may be able to take the **Savers Credit**. This credit is available in addition to any other tax savings that apply. Since the tax break is a credit instead of a deduction, it is a better deal. Tax deductions reduce taxable income, but credits come in to play after you calculate how much tax you owe and reduce your Internal Revenue Service bill dollar for dollar. For example, if you owe \$500 and you are eligible for a \$250 credit, the check you have to write to Uncle Sam is cut in half.

The savers credit began in 2002 as a temporary provision and became a permanent part of the tax code in 1996. To help preserve the value of the credit, income limits are now adjusted annually to keep pace with inflation.

A filer eligible for the saver's credit could shave as much as \$1,000 off his tax bill. Of course, if you are married and both you and your spouse put away at least \$2,000 toward retirement, your joint return save as much as \$2,000. The actual credit amount depends upon your income, filing status and just how much you put into retirement plans. Basically, the lower your income, the bigger your credit. The precise credit percentages are:

Retirement Savings Contribution Credit	2008	2009	2010
<b>Married filing jointly</b>			
50% credit up to	\$32,000	\$33,000	\$33,300
20% credit up to	\$34,500	\$36,000	\$36,000
10% credit up to	\$53,000	\$55,500	\$55,500
No credit	\$53,001	\$55,501	\$55,501
<b>Head of household</b>			
50% credit up to	\$24,000	\$24,750	\$25,125
20% credit up to	\$25,875	\$27,000	\$27,000
10% credit up to	\$39,750	\$41,625	\$41,625
No credit	\$39,751	\$41,626	\$41,626
<b>Other taxpayers</b>			
50% credit up to	\$16,000	\$16,500	\$16,750
20% credit up to	\$17,250	\$18,000	\$18,000
10% credit up to	\$26,500	\$27,750	\$27,750
No credit	\$26,501	\$27,751	\$27,751

**The maximum available credit is 50% of contributions for filers in the lower end of the earnings ranges. The maximum saver's credit is \$1,000 or \$2,000 for married couples.**

Use Form 8880, Credit for Qualified Retirement Savings Contributions, to determine the rate and amount of the credit. Enter the amount of the credit Form 1040 or 1040A. You cannot use Form 1040EZ to claim the credit. Please refer to the IRS for more information.