

Module 6C: RETIREMENT SAVERS CREDIT

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By the end of this module you will...

- Know what the Retirement Savings Contribution Credit is
- Know what the benefits of the Retirement Savings Contributions are
- Understand who is eligible
- Know what kind of Retirement savings available for credit
- Know the amount of credit you could receive
- Know how to claim the credit

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What is the Retirement Savings Contribution Credit?



Retirement Savings Contribution Credit

- A credit to help low- and moderate-income workers save for retirement.
- Also known as the “Savers Credit”
- Non-refundable tax credit
 - Example:
 - Potential Savers Credit = \$100
 - Income Tax Liability = \$40
 - Net Tax Overpayment/Liability = \$0
 - Final Saver’s Credit = \$40



What are the Benefits?



Benefits

- The saver's credit can increase the refund or reduce the taxes owed
- Helps offset part of the amount workers voluntarily contribute to their retirement accounts
- Taxpayers have up until the due date of their tax return to contribute to the plan and still have it qualify for that tax return year.



When filing a 2018 tax return, taxpayers have until April 15, 2019 to make a 2018 contribution

Who is Eligible?



Eligible Taxpayers

- People older than 18
- Not a full-time student
- Not claimed as a dependent on another person's tax return
- Adjusted gross income (AGI) less than \$31,500 (\$47,250 if head of household; \$63,000 if married filing jointly)



Are your Retirement Savings Eligible for Credit?



Eligible Retirement Accounts

- Traditional IRA
- Roth IRA
- 401(k)
- SIMPLE IRA
- SARSEP
- 403(b)
- 501(c)(18)
- Governmental 457(b) plan
- After-tax employee contributions to your qualified retirement and 403(b) plans

		a Employee's social security number	This information is being furnished to the Internal Revenue Service. If you are required to file a tax return, a negligence penalty or other sanction may be imposed on you if this income is taxable and you fail to report it.			
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld		
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld		
		5 Medicare wages and tips		6 Medicare tax withheld		
		7 Social security tips		8 Allocated tips		
d Control number		9 Verification code		10 Dependent care benefits		
e Employee's first name and initial Last name		11 Nonqualified plans		12a See instructions for box 12		
		13 Statutory employee Retirement plan Third-party sick pay		12b		
		14 Other		12c		
				12d		
f Employee's address and ZIP code		15 State Employer's state ID number		16 State wages, tips, etc.		
		17 State income tax		18 Local wages, tips, etc.		
		19 Local income tax		20 Locality name		



How Much is the Credit Worth?



Amount of Credit

- The amount of the credit is 50%, 20% or 10% of retirement plan or IRA contributions up to \$2,000 (\$4,000 if married filing jointly), depending on adjusted gross income.
- Distributions from your retirement account during the past three years reduce the amount of qualified contributions used to compute the credit.

2018 Saver's Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$38,000	AGI not more than \$28,500	AGI not more than \$19,000
20% of your contribution	\$38,001 - \$41,000	\$28,501 - \$30,750	\$19,001 - \$20,500
10% of your contribution	\$41,001 - \$63,000	\$30,751 - \$47,250	\$20,501 - \$31,500
0% of your contribution	more than \$63,000	more than \$47,250	more than \$31,500

How is the Credit Claimed?



Claiming the Credit

- Complete [Form 8880](#) and attach it to their tax return
- Did you take a distribution from your retirement account?
- Example:
 1. Receive W-2
 2. Look at box 12d for your contribution amount
 3. Fill out form 8880
 4. Attach form 8880 to your tax return



Re-Cap



Re-Cap

- Retirement Savings Contribution Credit, or Saver's Credit, can be very helpful to those who are eligible
- It is a non-refundable tax credit
- It applies to many different Retirement accounts
- Taxpayers can get up to \$1,000 of Saver's Credit (Single Filers)
- The credit is claimed using form 8880



Knowledge Check

Credit Amount Scenarios:

- Example 1:
 - Single Filer
 - \$20,000 AGI
 - \$1,000 contribution
 - $\$1,000 \times 20\% = \200 Credit
- Example 2:
 - Single Filer
 - \$20,000 AGI
 - \$2,500 contribution
 - $\$2,500 \times 20\% = \500 BUT \$400 Credit because of the \$2,000 maximum contribution
- Example 3:
 - MFJ
 - \$35,000 AGI
 - \$2,000 contribution
 - $\$2,000 \times 50\% = \$1,000$ Credit

Knowledge Check

Additional Resources:

- [IRS Publication 590 - Page 47-48](#)
- [IRS Form 8880](#)
- [What the IRS has to offer and say about the Saver's Credit](#)

Up Next...

Module 6D: Child Tax Credit & Credit for Other Dependents

