



THE SAVER'S CREDIT



In 2001 Congress passed the Economic Growth and Tax Relief Reconciliation Act (EGTRRA). The Act provides tax credits to low income households that choose to put money in certain retirement savings vehicles.



The saver's credit is a nonrefundable income tax credit for certain taxpayers with adjusted gross income that does not exceed \$56,500. It is equal to a specified percentage of certain employee contributions made to an employer-sponsored retirement plan or of certain individual or spousal contributions to an individual retirement arrangement (IRA) for taxable years beginning after December 31, 2001.

Taxpayers who are age 18 or over before the end of the taxable year, other than full-time students or persons claimed as dependents on another taxpayer's return, are eligible for the credit.

The maximum annual contribution eligible for the saver's credit is \$2,000 per year. The amount of any contribution eligible for the saver's credit is reduced by the amount of any taxable distribution received by the taxpayer (or by the taxpayer's spouse if the taxpayer filed jointly with that spouse both for the year during which a distribution was made and the year for which the credit is taken) during the testing period. The testing period consists of the year for which the credit is claimed, the period after the end of that year and before the due date (with extensions) for filing the taxpayer's return for that year, and the two taxable years that precede the year for which the credit is claimed. In the case of a distribution from a Roth IRA, this reduction applies to any such distribution, whether or not taxable, that is not rolled over. An amount does not count as a distribution for purposes of the reduction rule if the distribution is a return of a contribution to an IRA (including a Roth IRA) made for the tax year and (1) the distribution is made before the due date (including extensions) of the individual's tax return for that year, (2) no deduction is taken with respect to the contribution, and (3) the distribution includes any income attributable to the contribution.

The saver's credit rate is based on the taxpayer's adjusted gross income for the taxable year for which the credit is claimed, as follows:

Adjusted Gross Income (for calendar year 2011)

| Married filing joint | Head of household | All other filers | Credit |
|----------------------|-------------------|-------------------|----------------------|
| \$0-\$34,000 | \$0-\$25,500 | \$0-\$17,000 | 50% of contribution |
| \$34,001-\$36,500 | \$25,501-\$27,375 | \$17,001-\$18,250 | 20% of contribution |
| \$36,501-\$56,500 | \$27,376-\$42,375 | \$18,251-\$28,250 | 10% of contribution |
| Over \$56,500 | Over \$42,375 | Over \$28,250 | credit not available |

Note: You cannot get the Savers Credit by filing Form 1040-EZ. You must file either Form 1040; Form 1040A; or Form 1040NR for non-resident aliens.