



2020 Tax Saver's Credit

In addition to the tax advantages of saving on a pre-tax basis in a qualified plan, there is another savings incentive that you may not be familiar with. It is called the Saver's Credit. It originated with the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), but has been made permanent with The Pension Protection Act of 2006 (PPA).

For those who qualify, the Saver's Credit reduces, dollar-for-dollar, a taxpayer's federal income tax, up to \$1,000 per year (up to \$2,000 for married taxpayers filing jointly).

You are eligible for the credit if you:

- Are 18 or older,
- Are not a full-time student,
- Are not claimed as a dependent on someone else's return, and
- Meet income requirements.

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Salary reduction contributions to a 401(k) plan, including SIMPLE 401(k), a section 403(b) annuity, a governmental 457 plan, a SIMPLE IRA plan and a salary reduction SEP are all eligible for the credit. Voluntary after-tax contributions to a qualified plan or 403(b) annuity as well as contributions to a traditional or Roth IRA are also eligible.

The Saver's Credit is not a deduction, it is a credit! The tax credit ranges from 10-50% of each dollar contributed. There is a graduated scale of deduction based on your compensation and your income tax filing status. The rate is based on your adjusted gross income in the taxable year for which the credit is claimed.

Credit Rate:	Married Filing Jointly:	Head of Household:	All Other Filers:
50% of your contribution	AGI less than \$39,000	AGI less than \$29,250	AGI less than \$19,500
20% of your contribution	\$39,001 - \$42,500	\$29,251 - \$31,875	\$19,501 - \$21,250
10% of your contribution	\$42,501 - \$65,000	\$31,876 - \$48,750	\$21,251 - \$32,500
0% of your contribution	AGI greater than \$65,000	AGI greater than \$48,750	AGI greater than \$32,500

Once you figure out the amount of the credit from Form 8880, add it to Form 1040, or Form 1040A.

More Information:

To learn more, visit our website: www.cbiz.com/retirement.

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