

News

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Few Americans Aware of Retirement “Saver’s Credit”

Transamerica Center applauds IRS efforts to generate awareness and increase use

LOS ANGELES – March 12, 2008 – Many Americans may be missing out on a valuable credit this tax season. The IRS’ retirement “Saver’s Credit” is available to low-to-middle income workers who are saving for retirement, yet very few qualifiers know about it. In fact, only 17 percent of full-time American workers with annual household incomes of less than \$50,000 are even aware that the credit exists, according to the Ninth Annual Transamerica Retirement Survey.

Made permanent by the Pension Protection Act of 2006, the Saver’s Credit is applied to the first \$2,000 of voluntary contributions a worker makes to an IRA, 401(k) or similar employer-sponsored retirement plan. Credits of up to \$1,000 for single-filers, and \$2,000 for married couples, are available.

“The Saver’s Credit is both an incentive and a reward for low-to-middle income individuals and households to save for retirement. Unfortunately, few are aware that it’s available,” said Catherine Collinson, retirement and market trends expert for the Transamerica Center for Retirement Studies®. “But thanks to efforts made by the IRS to increase awareness, more and more qualifiers will begin taking advantage of this valuable credit.”

IRS Taking Steps to Increase Credit Utilization

Formally known as the “Retirement Savings Contributions Credit” by the IRS, the credit is more commonly referred to simply as the “Saver’s Credit.” In an effort to keep the information consistent and to raise the awareness among working Americans, the IRS began to incorporate the term “Saver’s Credit” in its forms and publications in late 2007. The increasing prominence of the term “Saver’s Credit” on the IRS Web site and its tax-related publications is also expected to improve the awareness of the Saver’s Credit among American workers.

Furthermore:

- The IRS has made significant outreach efforts through its Free File Program with 19 online tax preparation services providers. For 2007 tax-filings, most providers offer free federal online tax preparation services to taxpayers who are eligible for the Saver’s Credit.
- Although the Saver’s Credit is not available on 1040EZ, the IRS this year added instructions that accompany the EZ which direct filers to another form if they choose to claim the credit.
- Beginning in 2007, the IRS introduced an annually-scheduled \$500 income limit increase to keep up with inflation.

How to Claim the Saver's Credit

If you have contributed to a company-sponsored retirement plan, such as a 401(k) plan, or IRA in the past year, check to see if you meet the Adjusted Gross Income requirements (see chart) and:

- If you are using a professional tax preparer, be sure to ask about the Saver's Credit; or,
- If you are using tax preparation software to prepare your tax return, use Form 1040A, Form 1040 or Form 1040NR to prepare the tax return as the credit is not available with Form 1040EZ. If your software has an interview process, be sure to answer questions about the Saver's Credit, Retirement Savings Contributions Credit, and/or Credit for Qualified Retirement Savings Contributions; or,
- If you are preparing your tax returns manually, complete the Form 8880 to determine the exact credit rate and amount. Be sure to enter the retirement saving amount on Form 8880, Credit for Qualified Retirement Savings Contributions. Complete the form to determine the exact credit rate and amount. Then transfer the amount to the designated line on Form 1040A, Form 1040 or 1040NR.

For more information, see IRS publication 590, check the IRS Web site at www.irs.gov or ask your tax professional.

Important note: Your credit amount is based on your filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs. The Saver's Credit is nonrefundable and may only be applied towards the federal income taxes owed in a given year. If an individual or household has no tax liability, then the Saver's Credit would not be treated by the IRS as a refund.

Taxpayers Adjusted Gross Income			Credit Rate
Married filing jointly	Head of household	Single & married filing separately	% of Contribution
\$0 - \$31,000	\$0 - \$23,250	\$0 - \$15,500	50%
\$31,001 - \$34,000	\$23,251 - \$25,500	\$15,501 - \$17,000	20%
\$34,001 - \$52,000	\$25,501 - \$39,000	\$17,001 - \$26,000	10%
Over \$52,000	Over \$39,000	Over \$26,000	0%

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About the Survey

2007 Study: This 9th Annual Transamerica Retirement Survey was conducted online within the United States by Harris Interactive on behalf of Transamerica Center for Retirement between October 11 and November 21, 2007 among 2,011 full-time workers using the Harris online panel. Potential respondents

were targeted based on job title and full-time status. Respondents met the following criteria: All U.S. residents, age 18 or older, full-time workers in for-profit, and employer size of 10 or more. Results were weighted as needed for ensuring each quota group had a representative sample based on the number of employees at companies in each employee size range and an omnibus phone survey was utilized to adjust for respondents' propensity to be online versus the telephone as in the previous years' waves. No estimates of theoretical sampling error can be calculated; a full methodology is available.

About Harris Interactive

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