Saver's Tax Credit

Did you know contributing additional dollars for retirement may reduce your taxes?

Did you know contributing to either a 403(b) or 457 (Deferred Compensation) retirement plan may significantly reduce your taxes? **Low and moderate income employees** who make voluntary contributions to an employer sponsored retirement plan or individual retirement arrangement (IRA) may qualify for a "Saver's Tax Credit" of up to $1,000 per individual ($2,000 if filing jointly).

Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2020

CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50%	$0 to $39,000	$0 to $29,250	$0 to $19,500
20%	$39,001 to $42,500	$29,251 to $31,875	$19,501 to $21,250
10%	$42,501 to $65,000	$31,876 to $48,750	$21,251 to $32,500

For example, a couple filing a joint return with an AGI of $39,000 or less is eligible for the 50% rate. If both contributed $2,000 (or more) to a qualified plan, both would receive the maximum $1,000 Saver's Credit. If their AGI was a bit higher at $40,000, they move to the 20% bracket and both would receive a $400 credit.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of your taxable income. A tax credit reduces the amount of taxes you owe dollar for dollar and provides *significantly* better savings. Using the 12% tax bracket as an example, a $100 tax deduction would reduce your taxes by $12. In comparison, a $100 tax credit would reduce your taxes by $100. In addition, contributions made to DCP reduce your AGI and may help you qualify for a higher Saver's Tax Credit