

request for additional Information

Forms and publications that may be of assistance:

- Form 1040 Instructions
- Form 8880, Credit for Qualified Retirement Savings Contributions
- Publication 590, Individual Retirement Arrangements (IRAs)
- Publication 17, Your Federal Income Tax for Individuals

Obtaining the forms and publications referred to in this brochure is as easy as dialing a tollfree number or accessing a website.

Internal Revenue Service (IRS)

www.irs.gov

IRS Tax Forms
1-800-TAX-FORM
(800-829-3676)

IRS Tax Information
1-800-TAX-1040
(800-829-1040)

IRS-certified volunteers provide free tax assistance through the Volunteer Income Tax Assistance (VITA) program for persons with low-to-moderate income and through the Tax Counseling for the Elderly (TCE) program for persons age 60 and older.

Dial 1-800-TAX-1040 from February through April 15 for more information about where you can go for free tax help.



IRS

Department of the Treasury
Internal Revenue Service

Publication 4703 (8-2008) Catalog Number 51745K www.irs.gov

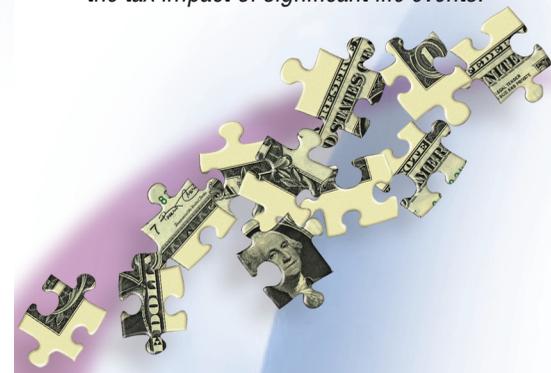
the **Life** CYCLE series

A series of informational publications designed to educate taxpayers about the tax impact of significant life events.

Retirement Savings Contributions Credit

Tax Information for
Saving for Retirement

Tax Benefits, Credits,
and Other Information.



Get the Tax Credit You Deserve

This brochure is intended to provide individuals with information on a credit related to retirement savings contributions.

What is the retirement savings contributions credit (commonly referred to as the “saver’s credit”)?

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), you may be able to take a tax credit. The amount of the saver’s credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income and filing status. The lower your income, the higher the credit rate. These factors will determine the maximum credit you may be allowed to take.

Who can claim the credit?

For tax year 2008, if you make eligible contributions to a qualified retirement plan, an eligible deferred compensation plan, or an IRA, you can claim the credit if all the following apply:

- You were born before January 2, 1991.
- You are not a full-time student.
- No one else, such as your parent(s), claims an exemption for you on their tax return.
- Your modified adjusted gross income is not more than:
 - \$53,000 if your filing status is married filing jointly,
 - \$39,750 if your filing status is head of household, or
 - \$26,500 if your filing status is single, married filing separately, or qualifying widow(er).

What does the credit do for me?

The saver’s credit reduces your income tax dollar-for-dollar, but not less than zero. You may be able to take a tax credit of up to \$1,000 (\$2,000 if married filing jointly).

You are building assets by contributing to a retirement plan. In addition, contributions to a retirement plan are often matched by your employer. The earnings on the retirement plan are tax-deferred until you begin taking the money out for retirement.

What is an eligible contribution?

These amounts may be shown in box 12 of your Form(s) W-2.

Eligible contributions include:

- Contributions (other than rollover contributions) to a Traditional or a Roth IRA
- Salary reduction contributions (elective deferrals, including amounts designated as after tax Roth contributions) to:
 - A 401(k) plan [including a SIMPLE 401(k)]
 - A 403(b) annuity
 - A governmental 457 plan
 - A SIMPLE IRA plan
 - A salary reduction SEP
- Contributions to a 501(c)(18)(D) plan
- Voluntary after-tax employee contributions to tax-qualified retirement plan or section 403(b) annuity plan. Voluntary does not include contributions made as a condition of employment.



How do I claim the credit?

By making eligible contributions to an employer-sponsored retirement plan or to an IRA, you have completed the first step in qualifying for the credit. Complete Form 8880, Credit for Qualified Retirement Savings Contributions, to determine the rate and amount of the credit, and attach the form to your current year income tax return.

Questions & Answers

- Q** My contributions to my employer plan are pre-tax; do I still qualify for the credit?
A Yes, this credit can have double benefits for you if all other requirements are met.
- Q** If I have contributed to an IRA and take a deduction on my tax return, can I still qualify for the credit?
A Yes, this credit can have double benefits for you if all other requirements are met.
- Q** I normally receive earned income credit (EIC) at the end of the year, but don’t believe I can afford to put money in a retirement plan – what are my options?
A Talk to your employer about the advance EIC and use a portion of that to invest in your retirement plan, or use a portion of your EIC after filing your return to contribute to an IRA. This contribution may also be deductible on your tax return.
- Q** If I am a full time student who works and makes contributions to my employer sponsored plan, will I qualify for this credit?
A No, a full-time student is not eligible for the credit.

Q I’m a working retiree who receives a pension and contributes to a Roth IRA; can I qualify for this credit?

A You may be able to take this credit if you make eligible contributions to a qualified retirement plan (includes IRAs) and if you meet all other requirements.

Q My tax liability has always been zero in the past, due to other credits. Can I get any part of this credit refunded if I have no tax liability?

A No, the saver’s credit is a non-refundable credit. It cannot be more than the amount of tax that you would otherwise pay. If your tax liability is reduced to zero by other non-refundable credits, you would not be entitled to this credit.

Q I’m under 59 1/2 years old. What happens if I withdraw my money from my retirement account?

A Unless you meet one of the exceptions, distributions taken before age 59 1/2 are subject to additional taxes. This law is there to discourage the use of retirement and pension funds for the purposes other than normal retirement. You also must include the amount in your income on your tax return.

In addition, early distributions will reduce your eligible contributions for the saver’s credit for the current year and other years in the “testing period.”. See Publication 590 for details related to the testing period.

