

News

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Fewer than Four in 10 U.S. Workers Are Aware of a Tax Credit for Retirement Savers *Transamerica Center for Retirement Studies® Offers Tips on How to Claim the Saver's Credit*

LOS ANGELES – January 30, 2020 – Fewer than four in ten U.S. workers (38 percent) know about a tax credit that may help them save for retirement, according to [survey findings](#) from nonprofit Transamerica Center for Retirement Studies® (TCRS). Also referred to as the Retirement Savings Contributions Credit by the Internal Revenue Service (IRS), the Saver's Credit, is available to eligible taxpayers who are saving for retirement.

“Most people face competing financial priorities, and saving for retirement can be challenging,” said [Catherine Collinson](#), president of TCRS. “By lowering their federal income tax, the Saver's Credit may help make it easier for eligible workers to save.”

What Is the Saver's Credit?

The Saver's Credit is a non-refundable tax credit that may be applied up to the first \$2,000 of voluntary contributions an eligible worker makes to a 401(k), 403(b) or similar employer-sponsored retirement plan, a traditional or Roth IRA, or an ABL account. The maximum credit is \$1,000 for single filers or individuals and \$2,000 for married couples filing jointly.

“On top of the tax-advantaged treatment of saving for retirement in a 401(k), 403(b) or IRA, the Saver's Credit is an additional benefit that may reduce a worker's federal taxes. Many eligible retirement savers could be confusing these two incentives, simply because the idea of a double tax benefit sounds too good to be true,” said Collinson.

Who Can Claim the Saver's Credit?

The credit is available to workers ages 18 years or older who have contributed to 401(k), 403(b) or similar employer-sponsored retirement plan, a traditional or Roth IRA, or an ABL account in the past year and meet the Adjusted Gross Income (AGI) requirements:

- Single tax filers with an AGI of up to \$32,000 in 2019 or \$32,500 in 2020 are eligible;
- For the head of a household, the AGI limit is \$48,000 in 2019 or \$48,750 in 2020; and,
- For those who are married and file a joint return, the AGI limit is \$64,000 in 2019 or \$65,000 in 2020.

Additionally, the filer cannot be a full-time student and cannot be claimed as a dependent on another person's tax return. For more details about eligibility, refer to this [fact sheet](#).

Tips for Claiming the Saver's Credit:

- If you are using tax preparation software to prepare your tax return, including those programs offered through the IRS Free File program, use [Form 1040](#), [Form 1040-SR](#), or [Form 1040-NR](#). If your software has an interview process, be sure to answer questions about the Saver's Credit, also referred to as the Retirement Savings Contributions Credit, or Credit for Qualified Retirement Savings Contributions.

- If you are preparing your tax return manually, complete [Form 8880](#), Credit for Qualified Retirement Savings Contributions, to determine your exact credit rate and amount. Then transfer the amount to the designated line on [Schedule 3](#) (used with Forms 1040 and 1040-SR) or Form 1040-NR.
- If you are using a professional tax preparer, be sure to ask about the Saver’s Credit.
- If you receive a refund, consider directly depositing it into an IRA to boost your retirement savings further.

Another potentially overlooked opportunity is the *IRS Free File* program. Workers who are eligible to claim the Saver’s Credit are often also eligible to take advantage of this program that offers federal income tax preparation software for free to tax filers with an AGI of \$69,000 or less. Ten companies make their tax preparation software available through this program at www.irs.gov/FreeFile. Certain restrictions may apply.

“Please help spread the word about the Saver’s Credit by telling family, friends, and colleagues. It may meaningfully impact an individual’s long-term savings, and even inspire non-savers to start saving for retirement,” said Collinson. Individuals who are eligible but did not save last year can still contribute to an IRA until April 15, 2020, and may be able to claim the Saver’s Credit for the tax year 2019.

TCRS has created fact sheets, infographics, and newsletter articles – in English and Spanish – that are available and encouraged for public use at www.transamericacenter.org/saverscredit. More information can also be found at www.irs.gov.

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About Transamerica Center for Retirement Studies

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About the 19th Annual Transamerica Retirement Survey

The 25-minute online survey was conducted within the U.S. by The Harris Poll on behalf of TCRS between October 26 and December 11, 2018, among a nationally representative sample of 5,168 full- and part-time workers who work in a for-profit company with one or more employees and are not self-employed. Results were weighted where necessary to bring them into line with the population of U.S. residents age 18+, employed full- or part-time in a for-profit company with one or more employees, and to adjust for attitudinal and behavioral differences between those who are online versus those who are not, those who join online panels versus those who do not, and those who respond to surveys versus those who do not. No estimates of theoretical sampling error can be calculated.