



## Saver's Tax Credit for the 2021 Tax Year

Millions of working Americans are missing out on a valuable tax credit – The IRS' Retirement Savings Contribution Credit or Saver's Credit. The 18<sup>th</sup> Annual Transamerica Retirement Survey found that an alarming 72 percent of women are unaware of the Saver's credit. The Saver's Credit is available to low-to moderate- income workers who are saving for retirement and it is effectively a federal match for retirement contributions. But only one in four workers potentially eligible to claim it are aware of it.

### Who can claim the credit?

In 2021, you **can** claim the credit if you are:

- Age 18 or older
- Not claimed as a dependent on another person's return
- Not a full-time student
- A married couple filing jointly with incomes up to \$66,000
- A Head of Household with income up to \$49,500
- A married individual filing separately and singles with incomes up to \$33,000

### How does the credit work?

The amount of the credit depends on your income and your IRS filing status; the lower your income, the greater the credit rate you are eligible for. If you are eligible, the amount of tax credit is 50%, 20% or 10% of your retirement plan or IRA contributions up to \$2,000 (\$4,000 if married filing jointly), depending on your adjusted gross income (as reported on your Form 1040 or 1040A). Use the IRS Form 8880, *Credit for Qualified Retirement Savings Contributions*, to calculate and claim your credit.

This is a non-refundable credit. If you do not owe taxes, then you will not be eligible for this credit.

### Example

Jill, who works at a retail store, is married and earned \$37,000 in 2021.

Jill's husband was unemployed in 2021 and didn't have any earnings.

Jill contributed \$1,000 to her IRA in 2021. After deducting her IRA contribution, the adjusted gross income shown on her joint return is \$36,000.

Jill may claim a 50% credit, \$500, for her \$1,000 IRA contribution.

Find out more at: [www.wiserwomen.org](http://www.wiserwomen.org)



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## **For tax year 2021:**

Married couples filing jointly can claim:

- 50% credit if the joint income is under \$39,500
- 20% credit if the joint income is between \$39,501 and \$43,000
- And 10% if the joint income is between \$43,001 and \$66,000

Head of Household filing can claim:

- 50% credit for income under \$29,625
- 20% credit for income between \$29,626 and \$32,250
- And 10% if income is between \$32,251 and \$49,500

Single Taxpayers or married taxpayers filing separately, can claim:

- 50% credit for income under \$19,750
- 20% credit for income between \$19,751 and \$21,500
- And 10% if income is between \$21,501 and \$33,000

## **Which retirement savings contributions are eligible for credit?**

- Contributions to a traditional or Roth IRA.
- Salary reduction contributions (including voluntary after-tax and designated Roth contributions) to your employer's 401(k), SIMPLE IRA, SARSEP, 403(b), 501(c)(18) or government 457(b) plan.
- Rollover contributions are not eligible for the Saver's Credit.
- Your eligible contributions may be reduced by any recent distributions you received from a retirement plan or IRA.