

NEWS RELEASE

December 3, 2008 (BENEFITPLANS.com) – The latest bulletin from the Internal Revenue Service, IR-2008-134, reminds most qualified plan participants they still have time to take steps to get the full benefit of the saver’s credit.

Also known as the retirement savings contributions credit, the saver's credit helps offset part of the first \$2,000 workers voluntarily contribute to Individual Retirement Arrangements (IRAs), 401(k) plans, and similar retirement programs. Eligible workers have until April 15, 2009, to set up a new IRA or add money to an existing IRA and still get credit for 2008, the IRS said.

According to the bulletin, elective deferrals to a 401(k), a 403(b) plan, a 457 plan, and the Thrift Savings Plan for federal employees must be made by the end of the year.

The saver's credit can be claimed by:

- Married couples filing jointly with incomes up to \$53,000 in 2008 or \$55,500 in 2009;
- Heads of Household with incomes up to \$39,750 in 2008 or \$41,625 in 2009; and
- Married individuals filing separately and singles with incomes up to \$26,500 in 2008 or \$27,750 in 2009.

Other rules that apply to the saver’s credit include:

- Eligible taxpayers must be at least 18 years of age.
- Anyone claimed as a dependent on someone else’s return cannot take the credit.
- A student cannot take the credit. A person enrolled as a full-time student during any part of five calendar months during the year is considered a student.
- Certain retirement plan distributions reduce the contribution amount used to figure the credit. For 2008, this rule applies to distributions received after 2005 and before the due date (including extensions) of the 2008 return. Form 8880 and its instructions have details on making this computation.

In tax-year 2006, the most recent year for which complete figures are available, saver’s credits totaling almost \$900 million were claimed on nearly 5.2 million individual income tax returns, according to the bulletin. Saver’s credits claimed on these returns averaged \$213 for joint filers, \$149 for heads of household, and \$128 for single filers.

For complete details the bulletin, IR-2008-134, can be found on the IRS’ Web site at www.irs.gov.



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