

“FREE MONEY” FOR PARTICIPANTS?

Sharing information about the value of the Federal Income-Tax Saver's Credit could be just the thing to persuade non-participating employees to join your plan—and motivate participants to increase their contributions. The “Saver's Tax Credit” essentially re-pays a portion of the contributions that eligible employees make to a 401(k) or other qualified retirement savings plan accounts. It's essentially “free money” for those who qualify.

The credit is a percentage—50%, 20%, or 10%—of *up to* \$2,000 in qualifying retirement savings contributions. A percentage depends on the employee's adjusted gross income (AGI) and filing status. The credit can be applied against the employee's federal income tax liability, but is non-refundable.

Sharing information about the value of the Saver's Tax Credit could benefit your employees. It will also provide an opportunity to increase awareness and the benefits that your retirement plan offers.

Saver's Tax Credit Amounts for 2010

Credit Rate	with Adjusted Gross Income (AGI)		
	<i>Married Joint*</i>	<i>Head of Household</i>	<i>Single</i>
50% Contribution			
Up to \$2,000	Up to \$33,500	Up to \$25,125	Up to \$16,750
20% Contribution			
Up to \$2,000	\$33,501-\$36,000	\$25,126-\$27,000	\$16,751-\$18,000
10% Contribution			
Up to \$2,000	\$36,001-\$55,000	\$27,001-\$41,625	\$18,001-\$27,750
Credit Not Available	More than \$55,000	More than \$41,625	More than \$27,750

*Each spouse may make a credit-eligible contribution.

Certain retirement plan distributions reduce the contribution amount used to figure the credit.



The general information in this publication is not intended to be nor should be treated as tax, legal, or accounting advice. Additional issues could exist that would affect the tax treatment of a specific transaction and, therefore, taxpayers should seek advice from an independent tax advisor based on their particular circumstances before acting on any information presented. This information is not intended to be nor can it be used by any taxpayer for the purposes of avoiding taxes.