

NOTICE TO EMPLOYEES REGARDING SAVER'S CREDIT

This notice explains how you may be able to pay less tax by contributing to an employer-sponsored plan (the "Plan") or to an individual retirement arrangement ("IRA"). Plans covered by this rule are 401(k) plans, 403(b) plans, salary reduction SEPs, SIMPLEs, and 457 plans.

If you make contributions to a Plan or an IRA, you may be eligible for a tax credit, called the "saver's credit." This credit could reduce the federal income tax you pay dollar-for-dollar. The amount of the credit is based on the contributions you make and your credit rate. The credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income -- the lower your income, the higher the credit rate. The credit rate also depends on your filing status. See the tables at the end of this notice to determine your credit rate.

The maximum contribution taken into account for the credit for an individual is \$2,000. If you are married filing jointly, the maximum contribution taken into account for the credit is \$2,000 each for you and your spouse.

The credit is available to you if you:

- are 18 or older,
- are not a full-time student,
- are not claimed as a dependent on someone else's return, and
- have adjusted gross income (shown on your tax return for the year of the credit) that does not exceed:
 - \$64,000 if you are married filing jointly,
 - \$48,000 if you are a head of household with a qualifying person, or
 - \$32,000 if you are single or married filing separately.

Example: Susan and John are married and file their federal income tax return jointly. For 2019, their adjusted gross income would have been \$36,000 if they had not made any retirement contributions. During 2019, Susan elected to have \$2,000 contributed pre-tax to her employer's 401(k) plan. John made a deductible contribution of \$2,000 to an IRA for 2019. As a result of these contributions, their 2019 adjusted gross income is \$32,000. If their Federal income tax would have been \$3,000 (after applying any other credits to which they are entitled) without having made any retirement contributions, then their federal income tax as a result of making the \$4,000 retirement contributions will be only \$400 after application of the saver's credit and other tax benefits for the retirement contributions. (The federal marginal tax rate is 15% in this example.) Thus, by saving \$4,000 for their retirement, Susan and John have also reduced their taxes by \$2,600 (equal to 15% of \$4,000 plus 50% of \$4,000).

The annual contribution eligible for the credit may have to be reduced by any taxable distributions from a retirement plan or IRA that you or your spouse receive during the year you claim the credit, during the two preceding years, or during the period after the end of the year for which you claim the credit and before the due date for filing your return for that year. A distribution from a Roth IRA that is not rolled over is taken into account for this reduction, even if the distribution is not taxable. After these reductions, the maximum annual contribution eligible for the credit per person is \$2,000.

Example: Mark's adjusted gross income for 2019 is low enough for him to be eligible for the credit that year and he defers \$3,000 of his pay to his employer's 401(k) plan during 2019. During 2019, Mark took a \$400 hardship withdrawal from his employer's plan and during 2019 he takes an \$800 IRA withdrawal. Mark's 2019 saver's credit will be based on contributions of \$1,800 (\$3,000 - \$400 - \$800).

The amount of your saver's credit will not change the amount of your refundable tax credits. A refundable tax credit, such as the earned income credit or the refundable amount of your child tax credit, is an amount that you would receive as a refund even if you did not otherwise owe any taxes.

The amount of your saver's credit in any year cannot exceed the amount of tax that you would otherwise pay (not counting any refundable credits or the adoption credit) in any year. If your tax liability is reduced to zero because of other nonrefundable credits, such as the Hope Scholarship Credit, then you will not be entitled to the saver's credit.

CREDIT RATES

The saver's credit rate is based on the taxpayer's adjusted gross income for the taxable year for which the credit is claimed, as follows:

Adjusted Gross Income (for calendar year 2019)

Married filing joint	Head of household	All other filers	Credit
\$0-\$38,500	\$0-\$28,875	\$0-\$19,250	50% of contribution
\$38,501-\$41,500	\$28,876-\$31,125	\$19,251-\$20,750	20% of contribution
\$41,501-\$64,000	\$31,126-\$48,000	\$20,751-\$32,000	10% of contribution
Over \$64,000	Over \$48,000	Over \$32,000	credit not available

Note: You cannot get the Savers Credit by filing Form 1040-EZ. You must file either

- **Form 1040; or**
- **Form 1040A; or**
- **Form 1040NR for non-resident aliens.**