

## Saver's Credit

Beginning in 2002, if you make contributions to your employer's 401(k) Plan, you may be eligible for a tax credit of up to \$1,000. This credit, referred to as the "Saver's Credit", could reduce the federal tax you pay. This Saver's Credit is only available through the year 2006.

### How it works

The amount of the credit you may receive is based on the contribution 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 (AGI). The lower your income, the higher the credit rate will be. The credit rate also depends on your filing status. Refer to the tables at the end to determine your credit rate.

The maximum contribution taken into account for an individual's credit 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 those who:

- ◆ are 18 or older,
- ◆ are not a full-time student,
- ◆ are not claimed as a dependent on someone else's tax return, and
- ◆ have adjusted gross income (AGI) as shown on your tax return for the year of the credit that does not exceed:
  - \$50,000 if you are married filing jointly,
  - \$37,500 if you are a head of household with a qualifying person, or
  - \$25,000 if you are single or married filing separately.

The amount of your Saver's Credit will not change the amount of your refundable 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, then you will not be entitled to the Saver's Credit.

### Credit Rates

<u>Tax Filing Status</u>	<u>Adjusted Gross Income (AGI)</u>	<u>Saver's Credit Rate</u>
Married Filing Jointly	\$0 to \$30,000	50% of contribution
	\$30,001 to \$32,500	20% of contribution
	\$32,501 to \$50,000	10% of contribution
	Over \$50,000	Credit not available
Head of Household	\$0 to \$22,500	50% of contribution
	\$22,501 to \$24,375	20% of contribution
	\$24,376 to \$37,500	10% of contribution
	Over \$37,500	Credit not available
Single, Married Filing Separate Or Qualifying Widow(er)	\$0 to \$15,000	50% of contribution
	\$15,001 to \$16,250	20% of contribution
	\$16,251 to \$25,000	10% of contribution
	Over \$25,000	Credit not available