

Retirement Savings Tax Credit

Boulder Valley School District 457 and 403(b) Retirement Plans

Now You Can Save More for Tomorrow

Are you aware that federal tax law offers certain retirement plan participants a tax credit to help save for tomorrow by reducing your taxes today? Tax credits are designed to directly reduce the amount of federal income tax you have to pay each year. With less money owed to the federal government, there may be room to start saving for retirement—or to increase your current savings efforts.

The amount of credit depends on your adjusted gross income and your filing status (e.g., single, married, head of household). Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income and filing status. Adjusted gross income is your annual income after before-tax retirement contributions and certain other items are removed. It is calculated before reductions for standard or itemized deductions and personal exemptions.

Single Filer Adjusted Gross Income ¹	Head of Household Adjusted Gross Income ¹	Married, Filing Jointly Adjusted Gross Income ¹	Maximum Tax Credit Rate ²
\$0-\$17,000	\$0-\$25,000	\$0-\$35,000	50%
\$17,001-\$18,250	\$25,001-\$27,375	\$35,001-\$36,500	20%
\$18,251-\$28,250	\$27,376-\$42,375	\$36,501-\$56,500	10%

Figuring Your Tax Credit³

As you can see from the table above, the tax credit is directly related to your income level. For example, let's say Joe is a single filer earning \$24,000, saving for retirement and has no other income. If he contributed \$2,000 to his plan, his adjusted gross income would be \$22,000. His tax credit rate would be 10% and his tax credit would be \$200 (10% of \$2,000).⁴

In addition to the \$200 tax credit, Joe saves \$300 in current federal income tax, assuming a 15% tax rate, by contributing to his plan on a pre-tax basis. His total amount saved or tax deferred is \$500!

Estimate of Joe's 2011 Federal Income Taxes	
Gross Annual Income	\$24,000
Less Before-Tax Contributions to Retirement Plans	\$2,000
Adjusted Gross Income	\$22,000
Less Exemptions	\$3,500
Less Standard Deduction	\$5,450
Net Taxable Income	\$13,050
Federal Income Tax Due Before Credit	\$1,560
Tax Credit¹	\$200
Federal Income Tax Due After Credit	\$1,360
Federal Income Tax Deferred or Saved from Before-Tax Plan Contribution* and Tax Credit	\$300* + \$200 = \$500

For illustrative purposes only. Assumes 2011 federal income tax table, exemptions and standard deduction for 2011.

* Assumes 15% federal tax rate.

Need More Information?

To learn more about the tax credit, you should consult your tax advisor or visit www.irs.gov and search for "Saver's Credit" or Form 8880.¹

Visit your Plan website at www.gwrs.com

or call KeyTalk[®] at (800) 701-8255.

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¹ Adjusted gross income limits are shown for 2011 taxable year.

² This percentage is multiplied by the amount of your annual contribution or \$2,000, whichever is less. The maximum tax credit is \$1,000 for each contributing individual. If you and your spouse both contribute to a retirement plan and you file a joint income tax return, the maximum tax credit is \$2,000.

³ Great-West Retirement Services[®] does not provide tax or legal advice. Consult your tax professional.

⁴ Joe will not be eligible for a tax credit if he is not 18 years of age or older, is a full-time student, or can be claimed as a dependent on someone else's tax return. Additional limitations and eligibility requirements may apply. Please consult your tax professional.

⁵ Access to KeyTalk and the website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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