

Need a Tax Break?



You may be eligible for a valuable incentive, which could reduce your federal income tax liability, for contributing to your company's 401(k) or 403(b) plan. **If you qualify, you may receive a Tax Saver's Credit of up to \$1,000 (\$2,000 for married couples filing jointly) if you made eligible contributions to an employer sponsored retirement savings plan.** The deduction is claimed in the form of a non-refundable tax credit, ranging from 10% to 50% of your annual contribution.

Remember, when you contribute a portion of each paycheck into the plan on a pre-tax basis, you are reducing the amount of your income subject to federal taxation. And those assets grow tax-deferred until you receive a distribution. If you qualify for the Tax Saver's Credit, you may even further reduce your taxes.

Your eligibility depends on your adjusted gross income (AGI), your tax filing status, and your retirement contributions. To qualify for the credit, you must be age 18 or older and cannot be a full-time student or claimed as a dependent on someone else's tax return.

Use this chart to calculate your credit for the tax year 2023. First, determine your AGI – your total income minus all qualified deductions. Then refer to the chart below to see how much you can claim as a tax credit if you qualify.

| Filing Status/Adjusted Gross Income for 2023 | | | |
|--|----------------------|----------------------|----------------------|
| Amount of Credit | Joint | Head of Household | Single/Others |
| 50% of amount deferred | \$0 to \$43,500 | \$0 to \$32,625 | \$0 to \$21,750 |
| 20% of amount deferred | \$43,501 to \$47,500 | \$32,626 to \$35,625 | \$21,751 to \$23,750 |
| 10% of amount deferred | \$47,501 to \$73,000 | \$35,626 to \$54,750 | \$23,751 to \$36,500 |

For example: Jill, who works at a retail store, is married and earned \$41,000 in 2021. Jill's spouse was unemployed in 2021 and didn't have any earnings. Jill contributed \$2,000 to her IRA for 2021. After deducting her IRA contribution, the adjusted gross income shown on her joint return is \$39,000. Jill may claim a 50% credit of \$1,000 for her \$2,000 IRA contribution on her 2021 tax return.

With the Tax Saver's Credit, you may owe less in federal taxes the next time you file by contributing to your retirement plan today!

Distributions before the age of 59 ½ may be subject to an additional 10% early withdrawal penalty. This is for informational purposes only; we suggest that you speak with a tax professional about your individual situation.

Source: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>

For more information, please contact Kevin Donahue AIF®, CRPC® at kevin@risensonfinancial.com or call 813.512.2746.

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To remove yourself from this list, or to add a colleague, please email us at kevin@risensonfinancial.com or call 813-512-2746.

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For more information on retirement tips, contact your plan advisor, Kevin Donahue CRPC®, AIF® at 813-512-2746 or kevin@risensonfinancial.com.