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SPECTRA INSIGHT



How to File for the Saver's Tax Credit

- Use IRS Form 8880 <http://www.irs.gov/pub/irs-pdf/f8880.pdf> to claim the saver's tax credit and for help with the calculations.
- Reference the Saver's Tax Credit Bulletin <http://www.irs.gov/newsroom/article/0,,id=175591,00.html> from the IRS
- Reference IRS Publication 590, Individual Retirement Arrangements <http://www.irs.gov/pub/irs-pdf/p590.pdf>



Valuable Saver's Tax Credit A Better Deal Than Tax Deduction

Did you know that a tax deduction only lowers your taxable income but a tax credit actually lowers your tax bill by the full amount of the tax credit? A tax credit was established in 2002 to help low- to moderate-income individuals and families save for their retirement. Indeed, news reports estimate that 83 percent of Americans know very little about this Saver's Tax Credit.

The difference between a tax deduction and this tax credit is exactly what makes the Saver's Tax Credit such a great deal for the individuals and families who qualify. The Saver's Tax Credit was instituted so that low- to moderate-income employees who contribute to their IRAs or qualified retirement plans could get a tax credit up to \$1,000 (or \$2,000 if filing jointly) to reduce federal income tax dollar for dollar.



For example, a \$1,000 deduction would lower an individual's tax bill by \$250 if they were in the 25 percent tax bracket. But a \$1,000 tax credit lowers the tax bill by a full \$1,000.

Employees who are unable to set aside money for this past year may want to schedule their 2009 contributions as soon so their employer can begin withholding them in January.





Overlooked & Underutilized

This frequently overlooked tax credit can trim an individual's tax bill by up to \$1,000 per person as a reward for contributing to their 401(k), Simple IRA, or other tax-favored retirement plan. The credit is available to married couples whose adjusted gross income (AGI) is less than \$53,000 in 2008 and singles whose AGI was under \$26,500.



This tax credit can be a great deal for young workers just starting out, who contribute even just a little bit to their 401(k)s, or anyone who earns within the income limits. Children under age 18 and full-time students do not qualify.

If you have any questions or comments, contact your HR department or your Account Manager at Spectra Management, LLC (801) 327.7205 or info@askspectra.com

Adjusted Gross Income: Married Filing Jointly	Adjusted Gross Income: Single or Married and Filing Separately	Adjusted Gross Income: Head of Household	Tax Credit if you defer \$2,000
\$32,000 or less	\$16,000 or less	\$24,000 or less	\$1,000 (50%)
\$32,001 up to \$34,500	\$16,001 up to \$17,250	\$24,001 up to \$25,875	\$400 (20%)
\$34,501 up to \$53,000	\$17,251 up to \$26,500	\$25,876 up to \$39,750	\$200 (10%)
Over \$53,000	Over \$26,500	Over \$39,750	\$0

***Limits are for the 2008 Tax Year.**



SAVER'S TAX CREDIT
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Spectra Management is redefining employee benefits. Originally established in 1986, the company has a track record of providing local businesses with innovative health insurance, savings and retirement plans that make sense today—and for years to come. Unlike other employee benefits companies, Spectra Management does not provide clients with cookie-cutter packages. Rather, Spectra's highly experienced staff works hand in hand with its clients to develop tailor-made solutions designed to strengthen employee security and well-being. Whether you're a business owner, a human resource director, or a company employee, Spectra Management can help ensure confidence in the benefit selection and management of your benefits package.

*This is for informational purposes only and should not be considered specific tax advice for any individual. Please seek advice from a qualified professional.