

Take Advantage of the Federal Retirement Savings Tax Credit.

You may be eligible to receive a tax credit by making contributions to the Retirement Savings Plan of the Presbyterian Church (U.S.A.) (RSP).

Did you know that, depending on your income and a few other factors, you may qualify for a tax credit on your federal income taxes by making voluntary contributions to the RSP? The Pension Protection Act of 2006 makes it easier for employees to save. The Act permanently extends the Saver's Tax Credit, which was set to expire after 2006, and indexes the credit to inflation.

This provision provides a special tax credit of up to \$1,000 per year from the U.S. government just for contributing to your workplace savings plan's voluntary contributions, if your income falls within certain ranges. This credit is *in addition* to the tax advantages already available through your savings plan. What's more, a couple filing a joint return could be eligible for a tax credit of up to \$1,000 each, if each contribute \$2,000 or more to their workplace savings plan. The maximum annual contribution amount on which the credit can be claimed is \$2,000.

Keep in mind that a tax credit—unlike a deduction—actually reduces your federal income taxes dollar for dollar. So this is one tax break you don't want to pass up!

Q. Are you eligible?

- A. To claim this tax credit, you must be making contributions to an eligible retirement plan, and meet the following additional criteria:
- You must be age 18 or older by January 2 of the year for which the contribution is being made
 - You cannot be a full-time student
 - You cannot be claimed as an exemption or a dependent by anyone else on their tax return

ACTION PLAN

- Learn about the Saver's Tax Credit
- Review the adjusted gross income levels
- Visit www.irs.gov for more information
- Get started today!

There are some other requirements you should keep in mind. The tax credit cannot be used to reduce your tax liability below zero (i.e., it's non-refundable). The amount of the contribution eligible for a tax credit will generally be reduced by any distributions you took from any tax-deferred retirement account, including IRAs, within a certain time period of the contribution. For example, the amount of contributions eligible for a tax credit for the 2019 tax year can generally be reduced by distributions you took from tax-deferred accounts between January 1, 2017 and April 15, 2020. Consult your personal tax advisor or see IRS Form 8880 for additional information.

For 2020, your Adjusted Gross Income (AGI) cannot be more than:

\$65,000	if you are married and file a joint tax return
\$48,750	if you file as head of household on your tax return
\$32,500	if you file single, married filing separately, or as a qualifying widow(er)

Q. For how much do you qualify?

A. For 2020, the following table illustrates the maximum tax credit allowed, based on Adjusted Gross Income (AGI) and filing status (thereafter, these income figures may be indexed annually for inflation).

Joint Filers' AGI	Head of Household Filers' AGI	Other Filers' AGI (single, married filing separately, or qualifying widow[er])	Credit	Maximum Credit
\$0-\$39,000	\$0-\$29,250	\$0-\$19,500	50%	\$1,000
\$39,001 - \$42,500	\$29,251 - \$31,875	\$19,501 - \$21,250	20%	\$400
\$42,501 - \$65,000	\$31,876 - \$48,750	\$21,251 - \$32,500	10%	\$200
Over \$65,000	Over \$48,750	Over \$32,500	0%	\$0

For Example: Participant Smith; AGI: \$34,000; Filing Status: Married filing jointly; 403(b) Voluntary Contribution: \$1,000

Assuming Participant Smith is eligible for the tax credit, and has never taken a distribution from any of his tax-advantaged retirement savings plans, he qualifies for a 50% tax credit, or \$500, on his tax return based on his AGI, filing status, and 403(b) voluntary contributions:

403(b) voluntary contribution	X	credit percentage based on filing status	=	tax credit amount
\$1,000	X	50%	=	\$500

In other words, Participant Smith was able to contribute \$1,000 into the Plan, but he will receive \$500 back in the form of a credit when he files his taxes! You can take advantage of this tax credit every year as long as you qualify and make contributions to an eligible workplace savings plan. Now is a great time to review your voluntary contribution amounts and ensure that you are taking full advantage of this Retirement Savings Contribution Credit.

HERE'S HELP

For questions about this credit, you may visit www.irs.gov. For information on enrolling in the RSP, please call Fidelity at **1-800-343-0860**.



For more information about the eligibility requirements for this tax credit, please consult your tax advisor.

The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Laws of a specific state or laws relevant to a particular situation may affect the applicability, accuracy, or completeness of this information. Consult an attorney or tax advisor regarding your specific legal or tax situation.

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