

Volunteer Tax Alert 2011- 06 March 3, 2011

Addendum to VTA 2011-05 issued February 25, 2011 Form 8880 - Credit for Qualified Retirement Savings Contributions

Concern: With so many different and diverse retirement plans, volunteers may not be certain which plans can be used to compute the Retirement Savers Credit. This addendum to VTA 2011-05 should help clarify which plans can be used to compute this credit. Keep in mind that to be entitled to the Retirement Savers Credit, the contributions to the plan are generally **elective or voluntary**.

Eligible contributions include:

- Contributions (other than rollover contributions) to a **Traditional** or a **Roth IRA**
- Salary reduction contributions (elective deferrals, including amounts designated as after tax Roth contributions) to:
 - A 401(k) plan [including a SIMPLE 401(k)] and includes the federal Thrift Savings Plan
 - A 403(b) annuity
 - A governmental 457 plan
 - A SIMPLE IRA plan
 - A salary reduction SEP
 - Contributions to a 501(c)(18)(D) plan
 - Voluntary after-tax employee contributions to tax-qualified retirement plan or section 403(b) annuity plan.Voluntary does not include contributions made as a condition of employment.

The above amounts may be shown in box 12 of your Form(s) W-2.

IMPORTANT NOTE: Contributions designated under Internal Revenue Code **section 414(h)** are treated as employer contributions and may include **required** contributions made by the employee. They do not qualify for the credit and **should not** be included on line 2, Form 8880. **These contributions are reported in box 14 of Form(s) W-2.** *(Some returns have these amounts included on Form 8880 and this is an error on Retirement Savers Credit.)*

When calculating the Retirement Savers Credit DO NOT include any:

- Distributions not taxable as the result of a rollover or a trustee-to-trustee transfer.
- Distributions that are taxable as the result of an in-plan rollover to your designated Roth account.
- Distributions from your eligible retirement plan (other than a Roth IRA) rolled over or converted to your Roth IRA.
- Loans from a qualified employer plan treated as a distribution.
- Distributions of excess contributions or deferrals (and income allocable to such contributions or deferrals).
- Distributions of contributions made to an IRA during a tax year and returned (with any income allocable to such contributions) on or before the due date (including extensions) for that tax year.
- Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k).
- Distributions from a military retirement plan.

If you are filing a joint return, include both spouses' amounts in both columns.

Exception: Do not include your spouse's distributions with yours when entering an amount on line 4 if you and your spouse did not file a joint return for the year the distribution was received.

For more information, refer to:

- Form 8880, Credit for Qualified Retirement Savings Contributions (page 2)
- Publication 4012, *VITA/TCE Volunteer Resource Guide* (page G-6)
- Publication 17, *Your Federal Income Tax for Individuals* (page 249)
- The VITA hotline at 1-800-829-8482

If you have any questions, please discuss them with your site coordinator, contact your local IRS SPEC relationship manager, or e-mail partner@irs.gov.

Thank you for volunteering to serve your community and for your dedication to providing top QUALITY service!