

Volunteer Tax Alert 2011-05 February 22, 2011

Form 8880- Credit for Qualified Retirement Savings Contributions

Concern: Volunteers should determine if a taxpayer is eligible for the Credit for Qualified Retirement Savings Contributions if the taxpayer contributed to a retirement plan. This credit is also known as the Retirement Savers Credit.

The taxpayer may be eligible for this credit if:

- He/she made a contribution or elective deferral to an IRA or other qualified plan
- The AGI is \$27,750 or less (\$41,625 if head of household, \$55,500 if married filing jointly)
- The taxpayer was born before January 2, 1993, was not claimed as a dependent on someone else's tax return, and was not a full time student during 2010 (See Publication 17 for the definition of a full time student)

Important Reminders:

- An entry in box 12 on Form W-2 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A description of all codes used in box 12 and/or 14 can be found in the instructions for Forms W-2 and W-3.
- An entry in box 14 on Form W-2 may also indicate a contribution to a state retirement system which may be eligible for this credit.
- When using software, volunteers must ensure all entries on the paper W-2 are entered into the software. If preparing a paper return, volunteers must manually compute this credit.
- A contribution to a traditional or Roth IRA may also qualify for this credit, but may not appear on any taxpayer document. Review Form 13614-C or your IRS approved intake and interview form and ask the taxpayer if he/she made any IRA contributions.
- When figuring this credit, the taxpayer generally must subtract the amount of distributions they have received from their retirement plans from the contributions they have made. This rule applies to distributions received in the two years before the year the credit is claimed, the year the credit is claimed, and the period after the end of the credit year but before the due date - including extensions - for filing the return for the credit year.

For more information, refer to:

- Form 8880, *Credit for Qualified Retirement Savings Contributions*
- Publication 4012, *VITA/TCE Volunteer Resource Guide*
- Publication 17, *Your Federal Income Tax*, or
- 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!