

Retirement Savings Contributions Credit (Saver's Credit)

In 2001, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) provided for a saver tax credit for voluntary contributions to some retirement and IRA accounts. This letter explains why your IMRF contributions (4.5% regular, or 7.5% SLEP or ECO) are not eligible for this tax credit.

Eligibility requirements for tax credit

In addressing the saver's tax credit, the IRS announcement 2001-106 states:

"Salary reduction contributions to the following arrangements are eligible for the credit: a 401(k) plan (including a SIMPLE 401(k)), a section 403(b) annuity, an eligible deferred compensation plan of a state or local government (a "governmental 457 plan"), a SIMPLE IRA plan, or a salary reduction SEP."

Why your IMRF contributions don't qualify for the tax credit

IMRF contributions do not qualify for the credit for two reasons:

- IMRF is not a plan under sections 401(k), 457, or 403(b), and
- Retirement contributions to IMRF are required as a condition of employment.

Eligible savings plans

While IMRF is not one of the eligible plans, many IMRF employers do offer additional plans you may contribute to. Plans eligible for this tax credit are:

- 401(k) plans, including the SIMPLE 401(k)
- 403(b) annuities
- Eligible governmental 457 plans
- SIMPLE-IRA plans
- Salary reduction SEPs
- Traditional or Roth IRAs



Additional tax information

IMRF is a qualified retirement plan under section 401(a) of the Internal Revenue Code, and IMRF member contributions are tax-deferred under section 414(h).

Voluntary Additional Contributions

The IMRF Voluntary Additional Contributions (VAC) plan is a Qualified Voluntary Employee Contributions (QVEC) plan that is covered by section 219 of the Internal Revenue Code. We have not heard of any ruling as to whether this contribution is eligible for the savers credit. Please show this paragraph to your tax advisor to help them determine if you are eligible for this credit. Note that there are limitations on the saver's credit for withdrawals during a test period that includes the current tax year, the two prior years, and the following tax year.

