

# YOUR MONEY & TAXES

## NEWSLETTER

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### Tax Credit Helps Low- and Moderate-Income Workers Save for Retirement

Low- and moderate-income workers can take steps to save for retirement and earn a special tax credit in 2014 and years ahead, according to the Internal Revenue Service.

The saver's credit helps offset part of the first \$2,000 workers voluntarily contribute to IRAs and 401(k) plans and similar workplace retirement programs. Also known as the retirement savings contributions credit, the saver's credit is available in addition to any other tax savings that apply.

Eligible workers still have time to make qualifying retirement contributions and get the saver's credit on their 2014 tax return. People have until April 15, 2015, to set up a new individual retirement arrangement or add money to an existing IRA for 2014. However, elective deferrals (contributions) must be made by the end of the year to a 401(k) plan or similar workplace program, such as a 403(b) plan for employees of public schools and certain tax-exempt organizations, a governmental 457 plan for state or local government employees, or the Thrift Savings Plan for federal employees. Employees who are unable to set aside money for this year may want to schedule their 2015 contributions soon so their employer can begin withholding them in January.

The saver's credit can be claimed by:

- Married couples filing jointly with incomes up to \$60,000 in 2014 or \$61,000 in 2015;
- Heads of Household with incomes up to \$45,000 in 2014 or \$45,750 in 2015 or \$30,500 in 2015.
- Married individuals filing separately and singles with incomes up to \$30,000 in 2014 or \$30,500 in 2015

The saver's credit can increase a taxpayer's refund or reduce the tax owed. Though the maximum saver's credit is \$1,000, \$2,000 for married couples, the IRS

### INSIDE THIS ISSUE

Tax Credit Help Workers Save for Retirement	1
How to Keep Your Personal Information Secure	2

cautioned that it is often much less and, due in part to the impact of other deductions and credits, may, in fact, be zero for some taxpayers.

A taxpayer's credit amount is based on his or her filing status, adjusted gross income, tax liability and amount contributed to qualifying retirement programs. **Form 8880** is used to claim the saver's credit.

The saver's credit supplements other tax benefits available to people who set money aside for retirement.

Other special rules that apply to the saver's credit include the following:

- Eligible taxpayers must be at least 18 years of age.
- Anyone claimed as a dependent on someone else's return cannot take the credit.
- A student cannot take the credit. A person enrolled as a full-time student during any part of 5 calendar months during the year is considered a student.

Certain retirement plan distributions reduce the contribution amount used to figure the credit. For 2014, this rule applies to distributions received after 2011 and before the due date, including extensions, of the 2014 return.

Begun in 2002 as a temporary provision, the saver's credit was made a permanent part of the tax code in legislation enacted in 2006. To help preserve the value of the credit, income limits are now adjusted annually to keep pace with inflation.

If you have questions or need more information, please contact Mary Latimore, RTRP at her office 205-595-8156.

## How to Keep Your Personal Information Secure

Protecting your personal information can help reduce your risk of identity theft. There are four main ways to do it: know who you share information with; store and dispose of your personal information securely, especially your Social Security number; ask questions before deciding to share your personal information; and maintain appropriate security on your computers and other electronic devices.

### Keeping Your Personal Information Secure Offline

Lock your financial documents and records in a safe place at home, and lock your wallet or purse in a safe place at work. Keep your information secure from roommates or workers who come into your home.

Limit what you carry. When you go out, take only the identification, credit, and debit cards you need. Leave your Social Security card at home. Make a copy of your Medicare card and black out all but the last four digits on the copy. Carry the copy with you – unless you are going to use your card at the doctor's office.

Before you share information at your workplace, a business, your child's school, or a doctor's office, ask why they need it, how they will safeguard it, and the consequences of not sharing.

Shred receipts, credit offers, credit applications, insurance forms, physician statements, checks, bank statements, expired charge cards, and similar documents when you don't need them any longer.

### Securing Your Social Security Number

Keep a close hold on your Social Security number and ask questions before deciding to share it. Ask if you can use a different kind of identification. If someone asks you to share your SSN or your child's, ask:

- why they need it
- how it will be used
- how they will protect it
- what happens if you don't share the number

The decision to share is yours. A business may not provide you with a service or benefit if you don't provide your number. Sometimes you will have to share your number. Your employer and financial institutions need your SSN for wage and tax reporting purposes. A business may ask for your SSN so they can check your credit when you apply for a loan, rent an apartment, or sign up for utility service.

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