

PenChecks
Webinar

Saver's Match

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April 22, 2026





Saver's Tax Credit

Intended to encourage retirement savings for low to middle income individuals

- Pension Protection Act of 2006
- Reduced tax liability dollar for dollar
- Transamerica Center for Retirement Studies
 - 48% of workers aware of Saver's Credit
 - Average amount claimed in 2022: \$194

Saver's Tax Credit

Eligible Individuals

- Age 18 or older
 - Not claimed as dependent
 - Not a full-time student
- Income thresholds (see next slide)
- Either made a deferral or after-tax contribution in one of the following arrangements:
 - Traditional or Roth IRA
 - 401(k), 403(b), gov't 457(b) plan
 - SIMPLE, but NOT a SEP

Saver's Tax Credit

Tax credit based on 2026 income:

- Max contribution eligible is \$2,000 (increased to \$4,000 for joint filer)
- Max tax credit is \$1,000 (increased to \$2,000 for joint filer)

Joint Return			Single, MFS		
AGI	Credit Rate	Max Credit	AGI	Credit Rate	Max Credit
Not exceeding \$48,500	50%	\$2,000	Not exceeding \$24,250	50%	\$1,000
\$48,501 - \$52,500	20%	\$800	\$24,251 - \$26,250	20%	\$400
\$52,501 - \$80,500	10%	\$400	\$26,251 - \$40,250	10%	\$200
Exceeding \$80,500	0%	\$0	Exceeding \$40,250	0%	\$0

Head of Household		
AGI	Credit Rate	Max Credit
Not exceeding \$36,375	50%	\$1,000
\$36,376 - \$39,375	20%	\$400
\$39,376 - \$60,375	10%	\$200
Exceeding \$60,375	0%	\$0

Illustrations

Joint Return	
AGI	Max Credit
\$45,000	\$2,000
\$50,000	\$800
\$55,000	\$400
\$60,000	\$400

Single	
AGI	Max Credit
\$20,000	\$1,000
\$25,000	\$400
\$30,000	\$200
\$35,000	\$200

Key Issue

Non-refundability

- Complete Form 8880 with individual tax form
- Non-refundable
 - Cannot exceed income tax liability
 - Standard deduction in 2026 = \$16,100
 - 10% tax rate if income \$12,400 or less
 - Cannot generate refund on its own
- Limited behavioral impact

Saver's Match

Still intended to encourage retirement savings for low to middle income individuals

- SECURE 2.0 (2022)
- Instead of tax credit, receive a match for deferring into a retirement arrangement

Saver's Match

Eligible individuals

- Must be age 18 as of close of taxable year
 - Not claimed as dependent
 - Not a full-time student
- Income thresholds (see next slide)
- Either made a deferral or after-tax contribution in one of the following arrangements:
 - Traditional IRA
 - 401(k), 403(b), gov't 457(b) plan
 - SIMPLE, but NOT a SEP
 - EXCLUDED: Roth IRA

Saver's Match

Match formula

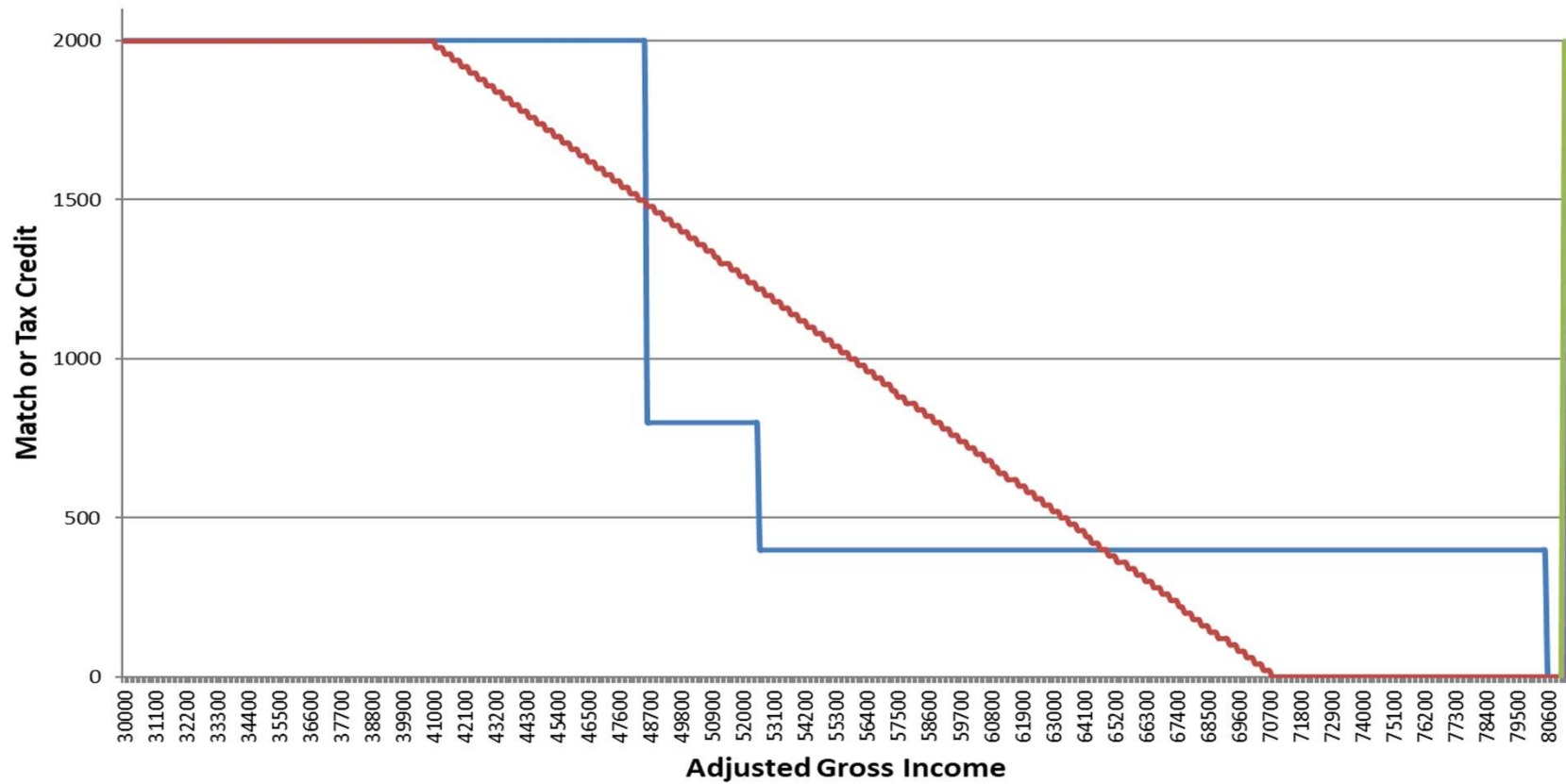
- 50% of contributions up to \$2,000 (per spouse)
 - \$1,000 match limit
- Phase-out up to certain modified adjusted gross income
 - Joint return: phase begins at \$41,000 with \$30,000 range (no match after \$71,000)
 - Adjusted for inflation
 - Round down to nearest whole percentage
 - Single: 50% of those numbers
 - Head of Household: 75% of those numbers

Illustrations

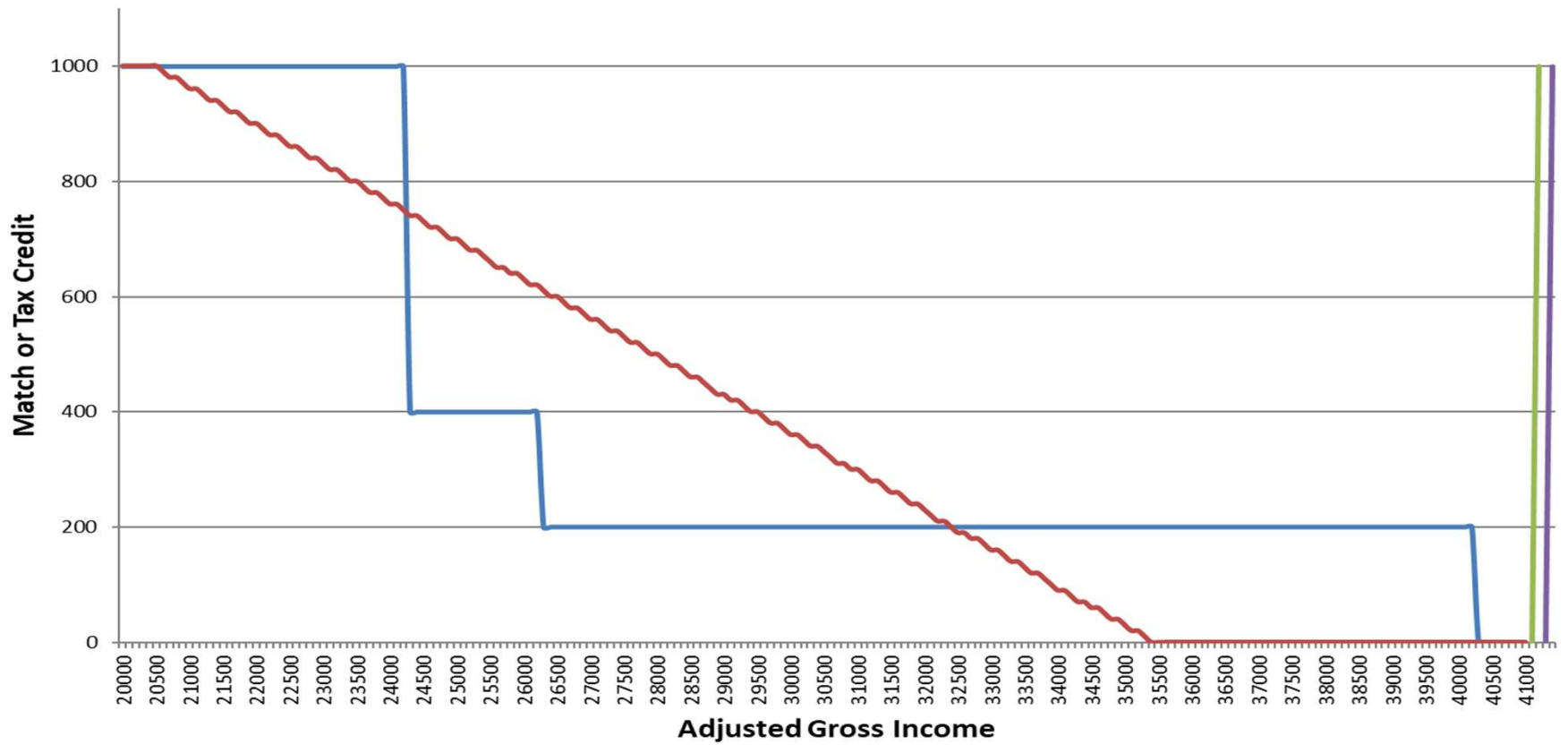
Joint Return		
AGI	Max Credit	Max Match
\$45,000	\$2,000	\$1,720
\$50,000	\$800	\$1,400
\$55,000	\$400	\$1,060
\$60,000	\$400	\$720

Single Return		
AGI	Max Credit	Max Match
\$20,000	\$1,000	\$1,000
\$25,000	\$400	\$700
\$30,000	\$200	\$360
\$35,000	\$200	\$30

Joint Return Comparison



Single Return Comparison



Saver's Match

Calculation quirks

- Contributions to Roth IRAs not eligible for Saver's match
- Contributions eligible for match reduced for certain distributions starting two tax years prior to tax filing deadline (including extensions)
 - Includes distributions to spouse if joint return
- Excluded distributions:
 - Deemed or offset loans
 - Return of excess contributions
 - ESOP dividends
 - Rollover distributions

Saver's Match

Operational considerations

- Match does not need to be deposited into same arrangement as deferral
- Match treated as an elective deferral or IRA contribution
- If deferral in retirement plan:
 - Not counted towards max contribution limit
 - Disregarded for ADP, 415 and top-heavy testing
 - Not available for hardship distributions
- EMPLOYER HAS DISCRETION TO ACCEPT CONTRIBUTIONS UNDER SAVER'S MATCH

Saver's Match

Correcting errors

- If erroneously paid, considered an underpayment of tax
- If distributed by tax filing deadline:
 - Not taxable income
 - Not subject to 10% early withdrawal penalty
 - Included in attributed income
 - Not considered to violate any applicable distribution restrictions
- If subsequent distribution in same tax year exceeds saver's match, excess subject to tax
 - Unless excess amount contributed to a retirement plan

Saver's Match

Deposited directly into retirement account or IRA

- Payable by Treasury as a contribution “as soon as practicable after the eligible individual has filed a tax return making a claim for such matching contribution for the taxable year”
- Less than \$100 for the taxable year? Tax credit instead.

Case Study 1 Facts

Wes is a single return filer. He contributes \$1,500 to his employer's 401(k) plan in 2027. Based on his AGI, he is eligible to receive \$700 in Saver's Match. When he completes his tax return, Wes wants the Saver's Match to go into the 401(k) plan.

Account Information

Who will provide the info?

- Treasury needs account information to transfer saver's match to Wes' employer's 401(k) plan
- Does Wes retrieve that information from:
 - Employer
 - Third party administrator
 - Recordkeeper
 - Financial adviser
 - Other?

Case Study 1 Facts (con't)

Wes is a single return filer. He contributes \$1,500 to his employer's 401(k) plan in 2027. Based on his AGI, he is eligible to receive \$700 in Saver's Match. After completing his tax return in March 2028, Wes leaves his employer in April.



Account Missing

What if the account is fully distributed?

- Can the Saver's Match be deposited into Wes' account?
- If deposited, can a distribution occur based on Wes' prior distribution election?

Case Study 1 Facts (con't)

Wes is a single return filer. He contributes \$1,500 to his employer's 401(k) plan in 2027. Based on his AGI, he is eligible to receive \$700 in Saver's Match. In December 2027, his employer provides him account information for transferring the match into his account. In April, his employer decides to change service providers.

Service Provider Change

How does the service provider handle?

- Is the balance returned to the Treasury?
- Is the balance sent to the new service provider?
- Is the balance sent to the employer to transfer to the new service provider?
- How is the participant notified?

Case Study 2 Facts

Kara is a single return filer. She contributes \$1,500 to her IRA in 2027. Later in 2027, Kara finally wants to contribute to her employer's 401(k) plan. To get things moving, she decides to have her Saver's Match of \$700 transferred to the 401(k) plan.

Mismatched Match

Saver's match into account with corresponding deferral

- How does the service provider handle if there is an account already established?
- How does the service provider handle if there is NOT an account already established?
 - Is the recordkeeping system ready to exclude the Saver's Match from testing and ensure distribution restrictions?

Case Study 3 Facts

Chad files a joint return. His spouse takes a \$5,000 hardship distribution in 2025 to pay for medical expenses. In 2027, Chad defers \$3,000 into his IRA. Based on his compensation, he would be eligible for \$1,500. Is he eligible for the saver's match?

Match Calculation

Distributions reduce match

- Certain distributions, including hardship distributions, reduce contributions eligible for match
 - Go back two tax years prior to tax filing deadline (including extensions)
 - Includes distributions to spouse if joint return
- Chad will have fill an accurate Form 8880

Saver's Match

What to do now:

- Discussion with plan sponsors about allowing saver's match contributions to a plan
- Financial advisors to leverage IRAs even if plan available (plan may not permit saver's match)
- Recordkeepers & custodians still figuring how to connect individuals with saver's match funds
- Practical effective date? Likely in early 2028



Thank you!

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