



For Immediate Release
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BAUCUS, GRASSLEY ASK IRS TO BETTER PUBLICIZE SAVER'S CREDIT

Finance leaders call on IRS to improve advertising, use consistent references

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Ranking Republican Member Chuck Grassley (R-Iowa) today called on the Internal Revenue Service (IRS) to better publicize the Saver's Credit, a non-refundable tax credit that encourages low- to middle-income Americans to save money for retirement. Created in 2001 and made permanent by the Pension Protection Act of 2006, the Saver's Credit provides a tax credit of up to 50 percent of the first \$2,000 of retirement contributions for families earning up to \$50,000 a year. In a letter to Acting IRS Commissioner Kevin Brown, the Senators requested that the IRS improve targeted advertising to ensure that eligible taxpayers are aware that they can use the credit, permit taxpayers to claim the credit on the 1040EZ, and refer to the Saver's Credit consistently in all IRS forms and publications.

“The Saver's Credit has helped millions of Americans save for their retirement, but it could be helping even more,” said Baucus. **“Many eligible taxpayers are not claiming the Saver's Credit simply because they don't know about it. It's hard for families to put away dollars for retirement, and the IRS should do all it can to help Americans maximize their savings with the Saver's Credit. Making it possible to claim this credit on the 1040EZ form used by many Americans eligible for the Saver's Credit would be a vital step.”**

Grassley said, **“Every bit helps when you're saving for retirement. But this tax break can help only if people know about it. I hope the IRS will work with us to publicize the saver's credit as much as possible so every eligible taxpayer is aware of the benefit. Congress made this a priority, and we want to see people use it and watch their savings grow.”**

The text of the Senators' letter follows here.

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July 12, 2007

Mr. Kevin M. Brown
Acting Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Acting Commissioner Brown:

The Saver's Credit was added to the Internal Revenue Code (the "Code") by the Economic Growth and Tax Relief Reconciliation Act of 2001 (Code section 25B). More recently, the Saver's Credit was made permanent by the Pension Protection Act of 2006. The Saver's Credit encourages workers to save for retirement by providing a non-refundable tax credit of up to 50% of the first \$2,000 of retirement contributions for families earning up to \$50,000 per year. This credit has helped millions of workers save for retirement. We believe the effectiveness of the credit could be improved, however, through changes to IRS forms and publications. As you prepare tax forms and other guidance for the 2007 tax year, we ask that you make the following changes:

1. Use the term "Saver's Credit" consistently in all IRS forms, instructions, publications, and other IRS guidance. The tax credit for retirement savings contributions is commonly referred to as the "Saver's Credit." This terminology is referenced in certain IRS publications, announcements, and Tax Topics, but it is generally not used or referred to in the tax forms and instructions. The consistent use of terminology in all IRS guidance would assist in ensuring maximum comprehension and use of the credit.
2. Allow taxpayers to claim the Saver's Credit on Form 1040EZ. Form 1040EZ can be used by certain taxpayers with taxable income of less than \$100,000. As such, Form 1040EZ covers the Saver's Credit targeted population of taxpayers with adjusted gross income of \$50,000 or less. While we understand that the Form 1040EZ does not currently allow for attachments, we believe that the improvement in awareness and utilization that will be accomplished by adding the Saver's Credit to Form 1040EZ outweighs the additional processing burden, especially in light of the number of returns filed electronically. In addition, although the Saver's Credit is not the most commonly claimed credit according to the 2004 Statistics of Income 2004 estimated data line counts, the fact that there is no nexus between the Saver's Credit and the dependency exemption causes its applicability to Form 1040EZ filers to increase dramatically in relation to certain other credits, such as the child tax credit, credit for child and dependent care expenses, and the education credits.
3. Use better targeted advertisements on the Saver's Credit to ensure that taxpayers are aware that they may be able to claim the credit. For example, alert taxpayers of the availability of the credit on the IRA deduction worksheet and in the instructions for employees on Form W-2.

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Taxpayers who have heard about the Saver's Credit should find it easy to claim. We believe these changes would make the credit more effective, and better carry out its intended purpose.

Keep us informed about your progress in implementing these changes. Any questions concerning this request may be directed to Judy Miller or Chris Condeluci at (202) 224-4515. Thank you for your attention to this matter.

Sincerely,

Max Baucus
Chairman

Charles Grassley
Ranking Member

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