

Retirement Savings Contributions Credit - Additions and Subtractions

TaxSlayer recognizes retirement contributions entered from employer related source income documents. It also recognizes same year distributions entered from 1099-R documents. These contributions and distributions flow to Form 8880.

Make a manual entry into the Retirement Savers Contributions Credit menu if the TP contributes to a Roth IRA. This may increase the retirement savers credit for lower income taxpayers even though it has no effect on Adjusted Gross Income.

A manual entry into the Form 8880 Retirement Savers Contributions Credit menu is also required if a retirement distribution was taken by the TP/Spouse in the prior two years or if a retirement distribution is taken/expected to be taken prior to April 15 of the current year. This will also reduce or eliminate the retirement savers credit.

Without intervention by the Counselor, TaxSlayer does not recognize that a same year non-voluntary retirement distribution should not reduce the retirement savers credit. A screen shot of TaxSlayer 1099-R menu follows:

Whose 1099-R is this?

Recipient
Taxpayer

Payer Information

Payer's ID *

1 -

Payer Name *

1099-R Information

1 Gross Distribution *

\$

2a Taxable Amount

\$

Does not qualify for Form
8880

Do you need to calculate your taxable
amount?

A new revision to the TaxSlayer 1099-R menu (made in 2019) provides a means for telling TaxSlayer software that a retirement plan distribution is coming from a non-voluntary retirement plan, and therefore should not be carried to Form 8880. Checking this box will ensure a distribution from this non-voluntary retirement plan does not reduce the retirement savers credit for the taxpayer or spouse. Entering a negative number equal to the distributions taken from non-voluntary retirement plans to preserve the retirement savers credit in TaxSlayer is not required or effective).

Examples of non-voluntary retirement plan distributions include:

1. Military pension distributions
2. Required distributions from inherited non spousal IRA (code 4)
3. Nontaxable rollovers, trustee to trustee transfers, IRA conversions to a Roth and loans from qualified employer plans
4. PERSI Base Plan or another plan where employer required a percentage of gross wages to be contributed to a non-voluntary retirement plan

