

BERRYESSA SCHOOL DISTRICT

Business/Payroll Department Update

403(b) & 457(b) Plans

Participation Eligibility

All Berryessa SD employees are eligible to participate in both 403(b) and 457(b) plans.

Since these contributions are deducted from your monthly salary, please make sure that your requested contribution **does not** exceed your monthly salary. This is especially relevant to part-time employees whose hours and salary fluctuate from month to month. If your contribution exceeds your salary, your entire contribution will be suspended. Then, to restart your contributions you will need to submit a new Salary Reduction Agreement (SRA) to payroll.

District Contacts

Classified Payroll
Que Nghiem - 923-1857

Certificated Payroll
Sally Owyang - 923-1858

Business Services
Tina Hsu - 923-1862

Personnel Services
Mayra Waller - 923-1852

403(b) Administrative Consultant

HighMark Admin. & Consulting

Michael Drabkin
(800) 569-0838
mike@hmadmin.com

2016 Contribution Limit Update

The IRS kept 2016 annual contribution limits unchanged for both the 403(b) and 457(b) plans. Please note that contribution limits are set for the calendar year (Jan. 1— Dec. 31) and NOT for the District's fiscal year of (July 1—June 30).

2016 ANNUAL LIMITS

| Plan Type | Contribution (Basic Limit) | Age 50 Plus Catch-Up | Total |
|-----------|----------------------------|----------------------|----------|
| 403(b) | \$18,000 | \$6,000 | \$24,000 |
| 457(b) | \$18,000 | \$6,000 | \$24,000 |
| Total | \$36,000 | \$12,000 | \$48,000 |

The IRS contribution limits are independent for each plan, thus it is possible to contribute up to \$36,000 (if you are under age 50) or \$48,000 (if you are at least age 50 or older) when using both plan types. You may also qualify for additional catch-up contributions. Please check in with us for additional information.

Savers Retirement Tax Credit

The Savers Credit provides a special tax break for low and moderate income taxpayers, who are saving for their retirement. Unfortunately, many of these individuals are either unaware of this credit or their tax advisors do not file to receive this credit. Please note that the credit is a straight deduction from the amount of federal taxes that you owe, which is in addition to the pre-tax income tax break you receive when making your regular 403(b) and/or 457 plan contributions.

Calculating the amount of your credit may be a bit tricky and is based on your income tax filing status and your Adjusted Gross Income (AGI) which may be the cause of some individuals not pursuing it. However, for the low to moderate income earners, the tax credit is simply too good to pass up. Please review the table on the next page with some examples that may help. If you feel that you may qualify for the Savers Credit, please contact your licensed tax advisor and have them review your situation and prepare the needed IRS forms to claim your tax credit.

Savers Retirement Tax Credit (continued)

Depending on your Adjusted Gross Income (AGI) and your income tax filing status, you can claim a tax credit for 50%, 20% or 10% of the first \$2,000 you contribute to your retirement account. Married couples can each claim the Savers Credit, thus doubling the potential reduction to your tax bill. The Savers Credit is a 'non-refundable' credit. In other words, the credit will reduce the amount of taxes that you need to pay, but it will not provide you with a tax refund, if the credit is greater than the amount of taxes you owe.

2016 Savers Credit - Adjusted Gross Income (AGI) Table

| Credit % | Single Filer | Head of Household | Joint Filers |
|----------|---------------------|---------------------|---------------------|
| 50% | \$18,500 or less | \$27,750 or less | \$37,000 or less |
| 20% | \$18,501 - \$20,000 | \$27,501 - \$30,000 | \$37,001 - \$40,000 |
| 10% | \$20,001 - \$30,750 | \$30,001 - \$46,125 | \$40,001 - \$61,500 |

Example 1:

Single taxpayer earning \$19,000 and contributing \$1,500 per year to a 403(b) account. The pre-tax 403(b) contribution lowers the AGI to \$17,500 (\$19,000 - \$1,500), which qualifies the individual for the 50% Savers Credit (based on the table above).

Based on the above AGI, the estimated income tax for this individual (before the Savers Credit) would be \$735. With a Savers Credit of \$750 (50% of \$1,500) the income tax bill is zero. As mentioned above, the Savers Credit will reduce or eliminate the amount of taxes owed but it will not generate a refund if the Credit exceed the amount of taxes owed. In this example the Savers Credit was \$750, which was greater than the \$735 of taxes owed, the individual does not need to pay any income tax.

Example 2:

Married couple filing jointly earning \$42,000, with each contributing \$2,000 pre-tax to their 457 retirement account for a total annual contribution of \$4,000. The contribution lowers their AGI to \$38,000, which qualifies them for the 20% Savers Credit. The Savers Credit, in this example, would be 20% of \$4,000 which equals \$800 (since each of their \$2,000 contribution qualifies for the Credit).

With their estimated tax bill of approximately \$1,800, the Savers Credit reduces the amount of income taxes they owe to \$1,000 (\$1,800 - \$800), when the Savers Credit is claimed.

IMPORTANT NOTE:

The above information, tables, estimates and examples are provided for informational purposes only and reflect our general understanding of the Federal Savers Credit. Neither the Berryessa Union School District, nor HighMark Group, LLC and its affiliates are licensed to nor provides tax and/or accounting advice. We encourage you to seek the counsel of a licensed tax advisor for more specific information about the Savers Credit and your individual tax circumstances.