

# Deferring to RSA-1 Equals Tax Savings

The income you defer is paid into your RSA-1 account and invested for your benefit. Investment earnings are accumulated in the fund and, like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to you. Deferred income and the investment earnings are held in your account for the exclusive benefit of you and your beneficiary(ies).

## Tax Savings

The following demonstrates how participation in RSA-1 can help you reduce current taxes:

- An employee earning \$1,000 semimonthly
- Deferring \$100 into RSA-1 semimonthly
- Filing as single with one withholding allowance

<b>Tier 1 Members</b>	<b>Contributing to RSA-1</b>	<b>Not Contributing to RSA-1</b>
Semimonthly pay	\$1,000.00	\$1,000.00
RSA-1 Deferral	\$100.00	\$0.00
7.5% Retirement Contribution	\$75.00	\$75.00
Federal Tax*	\$49.44	\$61.44
State Tax**	\$32.00	\$36.00
FICA	\$76.50	\$76.50
<b>Take-Home Pay</b>	<b>\$667.06</b>	<b>\$751.06</b>

<b>Tier 2 Members</b>	<b>Contributing to RSA-1</b>	<b>Not Contributing to RSA-1</b>
Semimonthly pay	\$1,000.00	\$1,000.00
RSA-1 Deferral	\$100.00	\$0.00
6.0% Retirement Contribution	\$60.00	\$60.00
Federal Tax*	\$51.24	\$63.24
State Tax**	\$33.00	\$37.00
FICA	\$76.50	\$76.50
<b>Take-Home Pay</b>	<b>\$679.26</b>	<b>\$763.26</b>

In these examples, deferring \$100 only decreases your take-home pay by \$84 while saving \$16 on taxes.

\*Based on 2021 tax tables using single with 1 allowance

\*\*Based on 2021 tax tables using single and no dependents