SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JULY 31, 2000

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ______________ TO ______________

COMMISSION FILE NUMBER 1-6089

H&R BLOCK, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MISSOURI	44-0607856
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

4400 MAIN STREET
KANSAS CITY, MISSOURI 64111
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(816) 753-6900
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

The number of shares outstanding of the registrant's Common Stock, without par value, at September 1, 2000 was 91,524,900 shares.

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H&R BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS

ASSETS	JULY 31, 2000 (UNAUDITED)	APRIL 30, 2000 (AUDITED)
CURRENT ASSETS		
Cash and cash equivalents	$ 219,718	$ 379,901
Marketable securities - available-for-sale	20,077	16,966
Marketable securities - trading	44,359	45,403
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of $801 and $759	2,738,536	2,857,379
Receivables, less allowance for doubtful accounts of $45,490 and $49,602	342,446	434,722
Prepaid expenses and other current assets	146,529	129,172
TOTAL CURRENT ASSETS	3,511,665	3,863,543
INVESTMENTS AND OTHER ASSETS		
Investments in available-for-sale marketable securities	227,394	176,395
Excess of cost over fair value of net tangible assets acquired, net of amortization	1,071,053	1,095,074
Other	312,480	303,672
	1,610,927	1,575,141
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	253,109	260,666
	$ 5,375,701	$ 5,699,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 640,076	$ 283,797
Accounts payable to customers, brokers and dealers	2,398,795	2,570,200
Accounts payable, accrued expenses and deposits	193,217	222,362
Accrued salaries, wages and payroll taxes	66,910	173,333
Accrued taxes on earnings	112,482	202,779
Current portion of long-term debt	70,582	67,978
TOTAL CURRENT LIABILITIES	3,482,062	3,520,449
LONG-TERM DEBT	869,931	872,396
OTHER NONCURRENT LIABILITIES	91,660	87,916
STOCKHOLDERS' EQUITY		
Common stock, no par, stated value $.01 per share	1,089	1,089
Additional paid-in capital	421,601	420,594
Retained earnings	1,199,273	1,277,324
Accumulated other comprehensive income (loss)	(23,342)	(26,241)
	1,598,621	1,672,766
Less cost of 17,451,033 and 10,937,683 shares of common stock in treasury	666,573	454,177
	932,048	1,218,589
	$ 5,375,701	$ 5,699,350

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED, AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	THREE MONTHS ENDED JULY 31, 2000	1999
REVENUES		
Service revenues	$ 231,224	$ 73,503
Product revenues	53,759	44,192
Royalties	1,161	930
Other	34,469	2,935
	320,613	121,560
OPERATING EXPENSES		
Employee compensation and benefits	146,540	75,352
Occupancy and equipment	60,224	40,634
Interest	79,701	11,474
Depreciation and amortization	47,457	18,400
Marketing and advertising	9,774	5,220
Supplies, freight and postage	7,579	4,192
Bad debt	5,521	4,188
Other	56,511	24,563
	413,307	184,023
Operating loss	(92,694)	(62,463)
OTHER INCOME		
Investment income, net	2,719	2,651
Other, net	(18)	15
	2,701	2,666
Loss before income tax benefit	(89,993)	(59,797)
Income tax benefit	(38,247)	(22,723)
Net loss	$ (51,746)	$ (37,074)
Weighted average number of common shares outstanding	93,261	97,713
Basic and diluted net loss per share	$ (.55)	$ (.38)
Dividends per share	$ .275	$ .25

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED, AMOUNTS IN THOUSANDS

	THREE MONTHS ENDED JULY 31, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (51,746)	$ (37,074)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	47,457	18,400
Provision for bad debt	5,521	4,188
Accretion of acquisition liabilities	3,234	-
Changes in:		
Receivables from customers, brokers, dealers and		

clearing organizations	118,843	-
Receivables	32,989	(113,026)
Marketable securities - trading	1,044	-
Prepaid expenses and other current assets	(17,357)	(7,879)
Accounts payable to customers, brokers and dealers	(171,405)	-
Accounts payable, accrued expenses and deposits	(29,145)	(53,353)
Accrued salaries, wages and payroll taxes	(106,423)	(137,427)
Accrued taxes on earnings	(90,297)	(40,706)
Other, net	(3,043)	(1,221)
NET CASH USED IN OPERATING ACTIVITIES	(260,328)	(368,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of available-for-sale securities	(536)	(2,967)
Maturities of available-for-sale securities	5,602	21,964
Purchases of property and equipment, net	(11,529)	(2,682)
Payments made for business acquisitions, net of cash acquired	(1,036)	(1,509)
Other, net	(8,018)	(6,880)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(15,517)	7,926
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(4,536,830)	(8,920,883)
Proceeds from issuance of notes payable	4,893,109	9,605,977
Payments on acquisition debt	(2,628)	-
Dividends paid	(26,305)	(24,436)
Payments to acquire treasury shares	(213,107)	-
Proceeds from stock options exercised	231	6,722
Other, net	1,192	219
NET CASH PROVIDED BY FINANCING ACTIVITIES	115,662	667,599
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(160,183)	307,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	379,901	193,240
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	$ 219,718	$ 500,667
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid	$ 51,737	$ 18,348
Interest paid	67,400	14,621

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited, dollars in thousands, except share data

1. The Consolidated Balance Sheet as of July 31, 2000, the Consolidated Statements of Operations for the three months ended July 31, 2000 and 1999, and the Consolidated Statements of Cash Flows for the three months ended July 31, 2000 and 1999 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at July 31, 2000 and for all periods presented have been made.

   Reclassifications have been made to prior year amounts to conform with the current year presentation.

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2000 Annual Report to Shareholders.

   Operating revenues are seasonal in nature with peak revenues occurring in the months of January through April. Thus, the three-month results are not indicative of results to be expected for the year.

2. Receivables consist of the following:

	July 31, 2000 (Unaudited)	April 30, 2000 (Audited)
Mortgage loans held for sale	$ 158,664	$ 163,033
Business services accounts receivable	118,308	148,109
Participation in refund anticipation loans	40,296	47,581
Loans to franchisees	25,505	24,888
Other	45,163	100,713
	387,936	484,324
Allowance for doubtful accounts	45,490	49,602
	$ 342,446	$ 434,722

3. The Company files its Federal and state income tax returns on a calendar year basis. The Consolidated Statements of Operations reflect the effective tax rates expected to be applicable for the respective full fiscal years.

4. Basic and diluted net loss per share is computed using the weighted average number of shares outstanding during each period. Diluted net loss per share excludes the impact of common stock options outstanding of 12,620,903 shares and the conversion of 608 shares of preferred stock to common stock, as they are antidilutive. The weighted average shares outstanding for the first quarter of fiscal 2001 decreased to 93,261,000 from 97,713,000 last year, due to the purchase of treasury shares by the Company during the first three months of fiscal 2001.

5. During the three months ended July 31, 2000 and 1999, the Company issued 18,150 and 196,043 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans. During the three months ended July 31, 2000, the Company acquired 6,531,500 shares of its common stock at an aggregate cost of $213,107.

6. CompuServe Corporation (CompuServe), certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a

motion for summary judgment covering all four state lawsuits. In July 1998, the state court certified a plaintiff class of all persons and entities who purchased shares of common stock of CompuServe between April 18, 1996 and July 16, 1996 pursuant to the initial public offering or on the open market, and who were damaged thereby, excluding the named defendants and their affiliates. The named plaintiffs in three of the state court cases were designated class representatives.

On July 24, 2000, the class representatives and the defendants in the class action pending in state court, by their authorized counsel, entered into a Stipulation of Settlement, pursuant to which the defendants will pay a gross settlement amount of $9,500 in exchange for dismissal of the class action suit and a release of all claims. The court preliminarily approved the settlement in August 2000 and notices to the class were mailed and published. The fairness hearing relating to the settlement is scheduled for October 2000. Payment of plaintiffs' attorneys' fees and expenses are to be paid out of the gross settlement fund. The gross settlement fund will be paid in its entirety by the Company's insurance carrier. Among other things, the settlement is subject to certain contingencies relating to the number of class members that choose to exclude themselves from the settlement and the final approval of the settlement by the court. The Stipulation is not an admission of the validity of any claim or any fact alleged by the plaintiffs and defendants continue to deny any wrongdoing and any

liability. The Stipulation states that the defendants consider it desirable to settle to avoid further expense, inconvenience, and delay, and put to rest all controversy concerning all claims.

As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom, Inc. and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. In the opinion of management, the ultimate resolution of these suits through the agreed upon settlement or otherwise will not have a material adverse impact on the Company's consolidated financial position or results of operations.

7. Summarized financial information for Block Financial Corporation, an indirect, wholly owned subsidiary of the Company, is presented below.

	July 31, 2000 (Unaudited)	April 30, 2000 (Audited)
Condensed balance sheets:		
Cash and cash equivalents	$ 118,567	$ 256,823
Finance receivables, net	2,927,282	3,054,792
Other assets	1,275,153	1,247,710
Total assets	$ 4,321,002	$ 4,559,325
Notes payable	$ 640,076	$ 283,797
Long-term debt	745,763	745,600
Other liabilities	2,707,100	3,304,740
Stockholder's equity	228,063	225,188
Total liabilities and stockholder's equity	$ 4,321,002	$ 4,559,325

	Three months ended July 31,	
	2000	1999

Condensed statements of operations:		
Revenues	$ 228,830	$ 80,718
Earnings before income taxes	6,054	11,741
Net earnings	(964)	6,291

8. The Company sells short FNMA mortgage-backed securities to certain broker-dealer counterparties. The position on certain or all of the fixed rate mortgages is closed, on standard Public Securities Association (PSA) settlement dates, when the Company enters into a forward commitment to sell those mortgages or decides to securitize the mortgages. The effectiveness of the hedge is measured by a historical and probable future high correlation of changes in the fair value of the hedging instruments with changes in the value of the hedged item. If correlation ceases to exist, hedge accounting is terminated and the gains or losses are recorded in revenues. Deferred losses on the FNMA securities hedging instrument amounted to $956 at July 31, 2000. The contract value and the market value of this hedging instrument at July 31, 2000 were $50,112 and $50,235, respectively. There were no forward commitments at July 31, 2000.

9. The Company's comprehensive income is comprised of net earnings (loss), foreign currency translation adjustments and the change in the net unrealized gain or loss on available-for-sale marketable securities. The components of comprehensive income (loss) during the three months ended July 31, 2000 and 1999 were:

	Three months ended July 31, 2000	Three months ended July 31, 1999
Net loss	$ (51,746)	$ (37,074)
Change in net unrealized gain (loss) on mkt. securities	4,057	577
Change in foreign currency translation adjustments	(1,158)	(1,292)
Comprehensive income (loss)	$ (48,847)	$ (37,789)

10. Information concerning the Company's operations by reportable operating segment for the three months ended July 31, 2000 and 1999 is as follows:

	Three months ended July 31, 2000	Three months ended July 31, 1999
Revenues:		
U.S. tax operations	$ 11,350	$ 13,075
International tax operations	4,899	4,068
Financial services	227,770	79,454
Business services	76,097	24,179
Unallocated corporate	497	784

	$320,613	$121,560
Earnings (loss):		
U.S. tax operations	$(87,870)	$(71,070)
International tax operations	(5,923)	(6,521)
Financial services	34,940	18,826
Business services	(3,013)	(188)
Unallocated corporate	(4,613)	(3,349)
Interest expense on long-term debt	(27,288)	(4,438)
	(93,767)	(66,740)
Investment income, net	2,719	2,651
Intercompany interest	1,055	4,292
Loss before income tax benefit	$(89,993)	$(59,797)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE INFORMATION CONTAINED IN THIS FORM 10-Q AND THE EXHIBITS HERETO MAY CONTAIN FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933 AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934. SUCH STATEMENTS ARE BASED UPON CURRENT INFORMATION, EXPECTATIONS, ESTIMATES AND PROJECTIONS REGARDING THE COMPANY, THE INDUSTRIES AND MARKETS IN WHICH THE COMPANY OPERATES, AND MANAGEMENT'S ASSUMPTIONS AND BELIEFS RELATING THERETO. WORDS SUCH AS "WILL," "PLAN," "EXPECT," "REMAIN," "INTEND," "ESTIMATE," "APPROXIMATE," AND VARIATIONS THEREOF AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THESE STATEMENTS SPEAK ONLY AS OF THE DATE ON WHICH THEY ARE MADE, ARE NOT GUARANTEES OF FUTURE PERFORMANCE, AND INVOLVE CERTAIN RISKS, UNCERTAINTIES AND ASSUMPTIONS THAT ARE DIFFICULT TO PREDICT. THEREFORE, ACTUAL OUTCOMES AND RESULTS COULD MATERIALLY DIFFER FROM WHAT IS EXPRESSED, IMPLIED OR FORECAST IN SUCH FORWARD-LOOKING STATEMENTS. SUCH DIFFERENCES COULD BE CAUSED BY A NUMBER OF FACTORS INCLUDING, BUT NOT LIMITED TO, THE UNCERTAINTY OF LAWS, LEGISLATION, REGULATIONS, SUPERVISION AND LICENSING BY FEDERAL, STATE AND LOCAL AUTHORITIES AND THEIR IMPACT ON THE LINES OF BUSINESS IN WHICH THE COMPANY'S SUBSIDIARIES ARE INVOLVED; UNFORESEEN COMPLIANCE COSTS; CHANGES IN ECONOMIC, POLITICAL OR REGULATORY ENVIRONMENTS; CHANGES IN COMPETITION AND THE EFFECTS OF SUCH CHANGES; THE INABILITY TO IMPLEMENT THE COMPANY'S STRATEGIES; CHANGES IN MANAGEMENT AND MANAGEMENT STRATEGIES; THE COMPANY'S INABILITY TO SUCCESSFULLY DESIGN, CREATE, MODIFY AND OPERATE ITS COMPUTER SYSTEMS AND NETWORKS; LITIGATION INVOLVING THE COMPANY; THE INABILITY OF THE COMPANY TO PURCHASE SHARES OF ITS COMMON STOCK PURSUANT TO THE SHARE REPURCHASE PROGRAM AND RISKS DESCRIBED FROM TIME TO TIME IN REPORTS AND REGISTRATION STATEMENTS FILED BY THE COMPANY AND ITS SUBSIDIARIES WITH THE SECURITIES AND EXCHANGE COMMISSION. READERS SHOULD TAKE THESE FACTORS INTO ACCOUNT IN EVALUATING ANY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE PUBLICLY OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

FINANCIAL CONDITION

These comments should be read in conjunction with the Consolidated Balance Sheets and Consolidated Statements of Cash Flows found on pages 1 and 3, respectively.

Working capital decreased to $29.6 million at July 31, 2000 from $343.1 million at April 30, 2000. The working capital ratio at July 31, 2000 is 1.01 to 1, compared to 1.10 to 1 at April 30, 2000. The decrease in working capital and the working capital ratio is primarily due to the increase in short-term borrowings, due to the share repurchase program, dividend payments, the seasonal nature of the Company's U.S. tax operations segment and, to a lesser extent, the Business services segment. Tax return preparation occurs almost entirely in the fourth quarter and has the effect of increasing certain assets and liabilities during this time.

The Company maintains a seasonal line of credit to support short-term borrowing facilities in Canada. The credit limit of this line fluctuates according to the amount of short-term borrowings outstanding during the year.

In the U.S., the Company incurs short-term borrowings throughout the year to fund receivables associated with its mortgage loan and other financial services programs, and seasonal working capital needs. These short-term borrowings in the U.S. are supported by a $1.89 billion back-up credit facility through November 2000, subject to renewal.

In April 2000, the Company entered into third party off-balance sheet financing arrangements and whole-loan sale arrangements for Option One Mortgage Corporation (Option One). The financing, which is not guaranteed by H&R Block, freed up excess cash and short-term borrowing capacity, while providing stability in dealing with the secondary market for mortgage loans. Management anticipates that the negative earnings per share impact of the off-balance sheet financing as a result of higher interest expense will be substantially offset by the share repurchases made during the first quarter of this year.

At July 31, 2000, short-term borrowings increased to $640.1 million from $283.8 million at April 30, 2000. The Company's capital expenditures, dividend payments, share repurchase program and normal operating activities during the first three months were funded through both internally-generated funds and short-term borrowings. For the three months ended July 31, 2000 and 1999, interest expense was $79.7 million and $11.5 million, respectively. The increase in interest expense is due to debt incurred to fund the acquisitions of certain assets of McGladrey & Pullen, LLP in August 1999 and of OLDE in December 1999.

In March 2000, the Company announced its intention to repurchase up to 12 million shares in the open market. At July 31, 2000, 6.9 million shares had been repurchased under this plan. The Company plans to continue to purchase its shares on the open market in accordance with this authorization, subject to various factors including the price of the stock, availability of excess cash, the ability to maintain financial flexibility, securities laws restrictions and other investment opportunities available. However, the Company announced on August 21, 2000 that the Company does not anticipate being as aggressive in its share repurchase program for the reminder of the fiscal year.

RESULTS OF OPERATIONS

FISCAL 2001 COMPARED TO FISCAL 2000

The analysis that follows should be read in conjunction with the table below and the Consolidated Statements of Operations found on page 2.

THREE MONTHS ENDED JULY 31, 2000 COMPARED TO

THREE MONTHS ENDED JULY 31, 1999

(AMOUNTS IN THOUSANDS)

	Revenues	Earnings (loss)

	2000	1999	2000	1999
U.S. tax operations	$ 11,350	$ 13,075	$ (87,870)	$ (71,070)
International tax operations	4,899	4,068	(5,923)	(6,521)
Financial services	227,770	79,454	34,940	18,826
Business services	76,097	24,179	(3,013)	(188)
Unallocated corporate	497	784	(4,613)	(3,349)
Interest expense on acquisition debt	-	-	(27,288)	(4,438)
	$ 320,613	$ 121,560	(93,767)	(66,740)
Investment income, net			2,719	2,651
Intercompany interest			1,055	4,292
			(89,993)	(59,797)
Income tax benefit			(38,247)	(22,723)
Net loss			$ (51,746)	$ (37,074)

Consolidated revenues for the three months ended July 31, 2000 increased 163.7% to $320.6 million from $121.6 million reported last year. The increase is primarily due to revenues from Financial services of $227.8 million, a 186.7% increase over last year, and Business services, a $51.9 million increase over the prior year. Both increases are due to the first time inclusion of the operations of OLDE and RSM McGladrey, Inc. (RSM), respectively, acquired during fiscal 2000.

The consolidated pretax loss for the first quarter of fiscal 2001 increased to $90.0 million from $59.8 million in the first quarter of last year. The higher loss is attributable to increased interest expense on acquisition debt of $22.9 million related to the OLDE and RSM acquisitions, higher acquired intangibles amortization expense related primarily to the OLDE and RSM acquisitions of $16.7 million and an increase in the U.S. tax operations' pretax loss of $16.8 million. These increased losses were partially offset by Financial services pretax earnings of $34.9 million, which increased $16.1 million over the first quarter of last year.

The Company's performance as measured by earnings before interest (including interest expense on acquisition debt, investment income and interest allocated to operating business units), taxes, depreciation and amortization (EBITDA) improved 56.7% to a negative $19.0 million compared to a negative $43.9 million in the prior year's first quarter.

The net loss was $51.7 million, or $.55 per share, compared to $37.1 million, or $.38 per share, for the same period last year. The per share loss this year was increased by approximately $.03 due to the Company's share repurchase program that resulted in lower investment income and lower shares outstanding for the quarter. The effective income tax rate increased from 38% last year to 42.5% this year as a result of the non-deductible intangible amortization resulting from the OLDE acquisition, and helped reduce this quarter's net loss.

An analysis of operations by reportable operating segments follows.

U.S. TAX OPERATIONS

Revenues decreased 13.2% to $11.4 million from $13.1 million last year, resulting primarily from lower tax preparation fees that are attributable to a decrease in the number of returns prepared.

The pretax loss increased 23.6% to $87.9 million from $71.1 million in the first quarter of last year due to normal operational increases in rent, depreciation and amortization and, to a lesser extent, compensation expenses. Contributing to the increases in rent and depreciation and amortization expenses is an increase in the amount of tax office space maintained under lease during this year's off-season. Due to the nature of this segment's business, first quarter operating results are not indicative of expected results for the entire fiscal year.

INTERNATIONAL TAX OPERATIONS

Revenues increased 20.4% to $4.9 million compared to $4.1 million in the prior year's first quarter. The increase is attributable to increases in tax preparation fees from all areas of International tax operations, including Canada, United Kingdom and Australia.

The pretax loss decreased 9.2% to $5.9 million from $6.5 million last year. The decrease is due to improved results over the prior year primarily in Canada and the United Kingdom related to increased revenues while expenses remained consistent with last year. Due to the nature of this segment's business, first quarter operating results are not indicative of expected results for the entire fiscal year.

FINANCIAL SERVICES

Revenues increased 186.7% to $227.8 million from $79.5 million in the same period last year. The increase is primarily attributable to the first time inclusion of OLDE, which was acquired December 1, 1999 and contributed revenues of $128.3 million for the quarter. For the three months ended July 31, 2000, OLDE's average commission per trade was $63.31 with customer daily average trades of 10,262. Option One Mortgage Corporation (Option One), which includes H&R Block Mortgage Corporation, also contributed $91.5 million in revenues for the quarter, compared to $68.6 million last year. Option One originated and sold or securitized $1.4 billion

during the first quarter of fiscal 2001 and $1.4 and $1.3 billion, respectively, during the prior year.

Financial services' pretax earnings increased 85.6% to $34.9 million compared to $18.8 million during the first quarter of fiscal 2000. The increase is primarily due to OLDE, the parent company of H&R Block Financial Advisors (formally, OLDE Discount Corporation), which contributed earnings of $13.9 million. While revenues of Option One and the Company's other mortgage operations increased 27.6%, pretax earnings were only slightly improved over the prior year due primarily to higher interest expense associated with the Company's new third party financing arrangement and narrowing of margins on loan sale transactions.

BUSINESS SERVICES

Revenues increased 214.7% to $76.1 million from $24.2 million in the first quarter of last year. The pretax loss increased to $3.0 million from $188 thousand last year, which includes goodwill amortization of $7.0 million and $1.8 million, respectively. The increase in revenues and pretax loss are primarily due to the inclusion of RSM which was acquired August 2, 1999. Due to the nature of this segment's business, revenues are seasonal, while expenses are relatively fixed throughout the year. Results for the first quarter are not indicative of the expected results for the entire year.

INVESTMENT INCOME, NET

Net investment income of $2.7 million was consistent with the prior year.

UNALLOCATED CORPORATE AND ADMINISTRATIVE

The unallocated corporate and administrative pretax loss for the first quarter increased 37.7% to $4.6 million from $3.3 million in the comparable period last year. The increase is due to higher employee costs and consulting expenses.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from those reported at April 30, 2000.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

CompuServe Corporation (CompuServe), certain current and former officers and directors of CompuServe and the Company have been named as defendants in six lawsuits pending before the state and Federal courts in Columbus, Ohio. All suits allege similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to its initial public offering in April 1996. One state lawsuit also alleges certain oral omissions and misstatements in connection with such offering. Relief sought in the lawsuits is unspecified, but includes pleas for rescission and damages. One Federal lawsuit names the lead underwriters of CompuServe's initial public offering as additional defendants and as representatives of a defendant class consisting of all underwriters who participated in such offering. The Federal suits were consolidated, the defendants filed a motion to dismiss the consolidated suits, the district court stayed all proceedings pending the outcome of the state court suits, and the United States Court of Appeals for the Sixth Circuit affirmed such stay. The four state court lawsuits also allege violations of various state statutes and common law of negligent misrepresentation in addition to the 1933 Act claims. The state lawsuits were consolidated for discovery purposes and defendants filed a motion for summary judgment covering all four state lawsuits. In July 1998, the state court certified a plaintiff class of all persons and entities who purchased shares of common stock of CompuServe between April 18, 1996 and July 16, 1996 pursuant to the initial public offering or on the open market, and who were damaged thereby, excluding the named defendants and their affiliates. The named plaintiffs in three of the state court cases were designated class representatives.

On July 24, 2000, the class representatives and the defendants in the class action pending in state court, by their authorized counsel, entered into a Stipulation of Settlement, pursuant to which the defendants will pay a gross settlement amount of $9.5 million in exchange for dismissal of the class action suit and a release of all claims. The court preliminarily approved the settlement in August 2000 and notices to the class were mailed and published. The fairness hearing relating to the settlement is scheduled for October 2000. Payment of plaintiffs' attorneys' fees and expenses are to be paid out of the gross settlement fund. The gross settlement fund will be paid in its entirety by the Company's insurance carrier. Among other things, the settlement is subject to certain contingencies relating to the number of class members that choose to exclude themselves from the settlement and the final approval of the settlement by the court. The Stipulation is not an admission of the validity of any claim or any fact alleged by the plaintiffs and defendants continue to deny any wrongdoing and any liability. The Stipulation states that the defendants consider it desirable to settle to avoid further expense, inconvenience, and delay, and put to rest all controversy concerning all claims.

As a part of the sale of its interest in CompuServe, the Company agreed to indemnify WorldCom, Inc. and CompuServe against 80.1% of any losses and expenses incurred by them with respect to these lawsuits. In the opinion of management, the ultimate resolution of these suits through the agreed upon settlement or otherwise will not have a material adverse impact on the Company's consolidated financial position or results of operations. The lawsuits discussed herein were previously reported in Forms 10-K and 10-Q filed by the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

a) Exhibits

10.1 Amendment to Employment Agreement, dated June 30, 2000, between HRB Management, Inc. and Mark A. Ernst

(27) Financial Data Schedule

b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the first quarter of fiscal 2001.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.

(Registrant)

DATE 9/13/00	BY /s/ Frank J. Cotroneo Frank J. Cotroneo Senior Vice President and Chief Financial Officer
DATE 9/13/00	BY /s/ Cheryl L. Givens Cheryl L. Givens Vice President and Corporate Controller

EXHIBIT 10.1

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT ("Amendment") is entered into as of the 30th day of June, 2000, by and between HRB MANAGEMENT, INC., a Missouri corporation ("HRB") and MARK A. ERNST ("Executive"), and amends the Employment Agreement dated July 16, 1998, between HRB and Executive ("Employment Agreement").

1 - Amendment to Subsection 1.06(c)(ii). Effective July 1, 2000 (the "Effective Date"), and in consideration of an increase in the annual rate of Base Salary for Executive under the Employment Agreement as of such Effective Date from $500,000 to $525,000, the Employment Agreement is amended by deleting subsection 1.06(c)(ii) from such Employment Agreement and replacing it with the following new subsection 1.06(c)(ii):

> "(ii)the failure, as of or before January 1, 2001, by Block to elect Executive as President and Chief Executive Officer of Block."

2 - Effect of Amendment. Except as modified in this Amendment, the Employment Agreement shall remain in full force and effect. Unless otherwise indicated or the context otherwise requires, all capitalized terms used herein shall have the same meaning in this Amendment as they have in the Employment Agreement.

3 - Counterparts. This Amendment may be signed in counterparts and delivered by facsimile transmission confirmed promptly thereafter by actual delivery of executed counterparts.

Executed as a sealed instrument under, and to be governed by, construed and enforced in accordance with, the laws of the State of Missouri.

EXECUTIVE:

Dated: 4 July 00 /s/Mark A. Ernst

Mark A. Ernst

Accepted and Agreed:

HRB MANAGEMENT, INC.,
a Missouri corporation

By: /s/Frank L. Salizzoni

Frank L. Salizzoni
Chief Executive Officer

Dated: 6/30/00

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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