



H&R Block analysis shows who will have bigger paychecks, smaller tax refund for this year

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47 percent of surveyed consumers think tax reform will increase their refunds

KANSAS CITY, Mo., Nov. 20, 2018 (GLOBE NEWSWIRE) -- A recent survey by H&R Block (NYSE: HRB) showed that 47 percent of respondents think tax reform will increase their refunds. And data from the U.S. Treasury shows total refunds may increase compared to last year. But the data from the U.S. Treasury, Government Accountability Office, and financial services firms do not show the one data point that matters to consumers: who will be getting a larger or smaller tax refund than anticipated this year and who might owe for the first time.

H&R Block analysis of 2017 tax returns shows that families with children under 17 are most likely to get a larger refund next tax season, while those most at risk of decreased refunds or owing for 2018, are:

- Consumers who itemize and have no dependents.
- Homeowners in high-tax states.
- Consumers with unreimbursed business expenses.

"Economic analyses on the impact of tax reform and withholding changes is not helpful to taxpayers. Consumers don't want to know if aggregate refunds are up or down; they want to know how tax reform will impact their specific situation," said Kathy Pickering, vice president of regulatory affairs and executive director of The Tax Institute at H&R Block. "While most people will come out ahead overall, it won't feel that way for the people who will get a smaller tax refund, or will end up owing, because they got their tax reform benefit through bigger paychecks. Knowing what's ahead will help soften the blow for taxpayers surprised by tax reform's impact."

The potential for surprises comes from updated IRS tables employers use to calculate tax withheld from an employee's paycheck. These changes widely resulted in bigger paychecks and less tax withheld starting in February or March, even if the taxpayer took no action.

"We want to help Americans avoid a surprise next tax season, by making sure they understand not only how tax reform impacts their overall tax situation, but also how it changed their paycheck. This can even change when and how they receive the benefits of lowered taxes: throughout the year or when they file their return," Pickering said.

Anyone who updated their withholding with their employer after the IRS made its adjustments in February can expect the outcome they planned for when completing their W-4. It is everyone who did not update their W-4 who is most at risk of significant changes to their refund or balance due.

Children are the key to getting the biggest unexpected refunds

Families with children under 17, especially those who claim the standard deduction, are most likely to get a refund bigger than anticipated, unless they had updated their withholding with their employer at the beginning of the year.

"Getting a refund bigger than expected may sound like a nice problem to have, but it means families weren't able to use their money during the year," said Pickering. "It's OK to want and plan for a big refund, but it's always better to know it's coming, so you can plan your finances with the full picture."

Certain homeowners and itemizers most at risk for smaller tax refunds or owing

Those who itemized deductions in 2017 and have no dependents, and who will continue to itemize in 2018, are one of the groups most at risk of owing instead of getting a refund.

"The good news for this group is that many of those who were in this group in 2017 won't be for 2018. Because the standard deduction is nearly doubled, many who itemized in the past will now get a bigger benefit from the standard deduction. But those who will continue itemizing could be impacted by the \$10,000 cap on state and local tax deductions and will be more likely to owe when they file in 2019," Pickering said.

A subset of that group, homeowners in high-tax states, will also be more at risk of owing next tax season. This is largely because their [state and local tax deductions](#) now are limited to \$10,000.

The group most at risk of owing when they file next tax season are those employees who deducted unreimbursed business expenses for 2017. Under tax reform, those deductions are no longer allowed. These [unreimbursed business expenses](#) can be particularly significant for certain workers, like truckers and those who travel for work and are not reimbursed.

New tax refund and tax reform calculator shows whether a larger or smaller tax refund is on the horizon

Tax reform's impact isn't straightforward because each life has its own set of circumstances. For example, someone can own a home in a high-tax state and claim the child tax credit, and knowing they are in one group potentially at risk for owing next tax season and in another group likely getting a larger refund isn't specific enough for tax planning.

Consumers can anticipate and understand the specific impact tax reform has on their personal tax situation by using H&R Block's updated [tax refund and tax reform calculator](#) online. The calculator will show their expected refund, as well as a range by which their paychecks potentially increased, to show their full tax picture. If they don't like what they see, they can make estimated tax payments or adjust their withholding to affect their 2019 taxes.

For additional help, H&R Block is offering a free tax reform checkup at participating offices. Consumers will need to bring their 2017 tax return and

related documents, as well as a current paystub, for their tax reform checkup.

Anyone can [schedule a tax reform checkup](#) online or by calling 800-HRBLOCK.

About H&R Block

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For Further Information

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