

## **Big Tax Changes to Hit Millions of Americans; National Tax Advice Day is Here to Help; H&R Block Kicks Off Tax Season by Hitting the Streets and the Web to Help Taxpayers Claim New and Commonly Missed Tax Benefits**

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KANSAS CITY, Mo., Jan 09, 2006 (BUSINESS WIRE) -- Millions of taxpayers will lose or gain tax benefits this year because of major tax law changes and missed credits, including new guidelines for claiming child-related benefits and new tax breaks for hurricane victims and charitable donors. The Alternative Minimum Tax (AMT) is on track to snare almost 4 million taxpayers this year, and millions more will fail to claim credits for their higher education expenses.

To help taxpayers understand these issues, H&R Block (NYSE:HRB) is kicking off the tax season by mobilizing its network of more than 70,000 tax professionals. H&R Block tax professionals will be hitting the streets across America all week, delivering free advice on tax topics with the most widespread impact. The educational effort will be in full force on Jan. 12, which the company has declared as National Tax Advice Day. The IRS begins accepting e-filed returns the following day, Jan. 13.

"Our tax experts have identified five major tax areas that deserve special attention by taxpayers this year," said Tim Gokey, President of the U.S. Tax Division of H&R Block. "H&R Block's National Tax Advice Day is about making people aware of these tax issues and helping them claim every tax benefit to which they're entitled."

H&R Block's "Taxes 2006: The Top 5 Things You Need to Know"

1. Child-related tax benefits -- Got kids? Nearly 50 million, or 38 percent of all tax returns, claim dependents and may be affected by changes in the way the tax law defines a child. The new definition applies when claiming the exemption for a dependent, using head of household filing status, and claiming the child tax credit, the child and dependent care credit, and the earned income tax credit. Anyone with a child may gain or lose important tax benefits due to the changes.

2. Charitable giving & Hurricane relief -- A new law provides special tax benefits for Hurricane Katrina victims and those who have helped them. The Katrina Emergency Tax Relief Act (KETRA) increases the amount an individual can currently deduct for cash contributions to qualified charities, and provides a deduction of up to \$2,000 to taxpayers who provided rent-free housing to hurricane victims for at least two months in 2005.

Several KETRA provisions were also extended to individuals affected by Hurricanes Rita and Wilma including an increased deduction for claiming casualty losses and waiving penalties for early withdrawals from qualified retirement plans.

3. The Alternative Minimum Tax (AMT) -- Millions of taxpayers could be surprised by an additional tax surcharge averaging \$2,770 as this complex tax affects an increasing number of middle-income families. The number of taxpayers paying the AMT is estimated to soar from nearly 4 million in 2005 to almost 20 million in 2006 if the law remains unchanged.

Under AMT, personal exemptions are not allowed which means that families with as few as two dependents may be subject to this extra tax. As the number of personal exemptions increases, so does the probability of being hit with AMT.

Other top AMT snares include: Large state and local tax payments, high miscellaneous itemized deductions such as unreimbursed employee business expenses, and income from exercising incentive stock options.

4. The Earned Income Tax Credit (EITC) -- Millions of low- and moderate-income families are eligible but don't claim the EITC, which is worth an average of about \$1,760. As many as 25 percent of those eligible -- or about 7.3 million taxpayers last year alone -- failed to claim it, according to government figures. Many working families fail to claim the EITC due to a lack of awareness or the complexity of the eligibility requirements and tax forms. Last year, H&R Block helped nearly 4.8 million clients claim more than \$9.7 billion in earned income tax credits.

5. Education-related tax benefits -- Millions of Americans don't maximize their education-related tax benefits, in part, because it can be a complicated process. Nearly 27 percent of eligible taxpayers -- 4.1 million people -- fail to claim education tax benefits, according to a recent government report. Evaluating which education tax break provides the greatest savings -- the lifetime learning credit, the Hope credit, and the tuition and fees deduction -- can be difficult because of phase-out provisions and varying eligibility guidelines.

New changes allow eligible students in the core Hurricane Katrina disaster area to claim up to \$3,000 for the Hope credit and up to \$4,000 for the Lifetime Learning credit. That is double the amount typically allowed. The expanded credit is available for 2005 and 2006.

### National Tax Advice day Goes Digital

As part of National Tax Advice Day, H&R Block is reaching out to do-it-yourselfers with a unique Web site featuring hundreds of tips, common and unusual, at [www.NationalTaxAdviceDay.com](http://www.NationalTaxAdviceDay.com). Visitors to the site can learn about tax breaks related to specific occupations and do some tax planning with a menu of helpful calculators. The site also includes a comprehensive tax preparation checklist to help taxpayers get organized and ready to file.

### Get Organized, Get Advice, and Get Started Early

Each year, half of all taxpayers, or 66 million Americans, wait until the last 30 days to file their taxes. By introducing H&R Block National Tax Advice Day, tax professionals will help taxpayers get organized, get advice, and get started earlier so they don't pay any more tax than they are required to pay.

H&R Block offers the following tips:

- Start early. The earlier you get organized, seek advice, and get your taxes filed, the less likely you will be to miss tax benefits because your rushing and the sooner you will get your money back. Mark Jan. 12, H&R Block National Tax Advice Day, on your calendar to get organized, get advice, and get filed.
- Get organized. Start the new tax year off right by developing a simple record keeping system. Use the previous year's tax return as a reference to determine file categories and make certain you keep separate files for personal and business taxes. Having complete tax records will ensure you claim the deductions and credits to which you're entitled and help you avoid penalties and interest on unreported income.
- Seek professional advice. Today, taxpayers must wade through 131 pages of instructions for a Form 1040 -- over triple the number in 1975 and more than double the number in 1985. At H&R Block offices nationwide, a trusted tax professional can help you navigate through the complexity of tax forms and ensure you take advantage of tax benefits specific to your occupation or family situation.

### About H&R Block

H&R Block is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.4 billion and net income of \$636 million in fiscal year 2005 from operations in four principal business segments: tax preparation and advice via in-office, online and software solutions; investment and financial advisory services; retail and wholesale mortgage services; and tax/accounting/business consulting services for midsized companies. Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands: H&R Block, Option One and RSM McGladrey. For more information, visit our Online Press Center at [www.hrblock.com](http://www.hrblock.com).

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