

Perfect Storm: New Tax Laws, Unstable Economy Highlight Need to Ensure Fair Share Come Tax Time

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H&R Block Out in Force for National Tax Advice Day; Free Ask a Tax Advisor Consultation Through Jan. 31
KANSAS CITY, MO, Jan 13, 2009 (MARKET WIRE via COMTEX) -- Taxpayers in 2009 face a complicated filing season in light of recent legislation that could impact returns for first-time homebuyers and disaster victims to parents and retirees. Couple those legislative changes with an uncertain economy and the need for expert tax advice is more critical than ever.

To help taxpayers navigate the changes, H&R Block's (NYSE: HRB) 110,000 tax professionals will hit the streets Jan. 15, for National Tax Advice Day, educating taxpayers on a range of topics, including the recovery rebate credit, first-time homebuyer credit, foreclosures, stock market losses and the tax implications of losing -- and looking for -- a job.

Additionally, through Jan. 31, taxpayers can get help with their most difficult tax questions for free through our 'Ask a Tax Advisor' feature on www.hrblock.com and/or www.digits.hrblock.com. With 'Ask a Tax Advisor,' taxpayers can experience one session with an H&R Block tax professional from the comfort of their own home, covering one tax topic, with no time limitations. Ask a Tax Advisor is a \$19.95 value.

Amy McAnarney, executive director of The Tax Institute at H&R Block, indicated last year saw major tax law changes that directly impact people's tax returns.

"2008 was the perfect storm of historic economic downturn and associated tax relief," McAnarney said. "More than ever, taxpayers need guidance on how to claim every tax credit and deduction they can."

From the Emergency Economic Stabilization Act to the Housing and Economic Recovery Act, this past year saw major tax law changes and extensions.

So, with the start of tax season, what should taxpayers look for as they prepare to file their 2008 taxes? McAnarney points out five major issues:

-- Recovery Rebate Credit - While 130 million taxpayers received a stimulus payment last year according to the Internal Revenue Service, those were actually an advance payment for the recovery rebate credit to be claimed on their 2008 returns. For many taxpayers who didn't receive the payment or who may be due a higher payment, there's still time to get their rebate. Many taxpayers' circumstances may have changed since they filed their 2007 returns, which is what was used to calculate the stimulus payment made in 2008.

For instance, some taxpayers earned too much in 2007 to qualify for the payment in 2008. But, with unemployment on the rise, some of those individuals may have taken pay cuts or been laid off from their jobs. Thus, they now are at an income level to qualify for the recovery rebate credit. Or the change could be as simple as having a child in 2008, which could impact the rebate amount.

In addition, the IRS is reporting that millions of taxpayers who do not normally file a tax return may still be eligible for the recovery rebate credit in 2008. If taxpayers have qualifying income such as wages, Social Security benefits, or VA disability benefits of at least \$3,000 they are eligible for a credit worth \$300 (\$600 for joint filers). For taxpayers with a filing requirement, the credit can be worth up to \$600 for a single filer -- \$1,200 on joint returns -- or more depending on income, taxes, and number of dependents.

"If you missed the economic stimulus check in 2008, or you are eligible for a higher payment based on changes you incurred in 2008, you may be eligible for a recovery rebate credit when you file your tax return," McAnarney said.

-- Debt Relief - With foreclosures also increasing, H&R Block tax professionals can explain a tax relief opportunity available to

homeowners who have had home mortgage debt forgiven. The Mortgage Forgiveness Debt Relief Act of 2007, and extensions placed in subsequent bills this past year, is designed to protect eligible taxpayers from paying federal income tax on as much as \$2 million of debt forgiven on a principal residence. But taxpayers will have to know how to claim the tax benefit.

- First-time Homebuyer Credit - Taxpayers who bought a home after April 8, 2008, and had not owned a home in the previous three years may be eligible for this refundable credit worth up to \$7,500. The credit, which is the lower of 10 percent of a home's purchase price or \$7,500, was included in the Housing and Economic Recovery Act of 2008 passed last July.
"The first-time homebuyer credit is like an interest-free loan," McAnarney said. "But remember, starting in 2010, it will have to be paid back."
- Refundable Child Tax Credit - Taxpayers with earned income of at least \$8,500 (down from last year's figure of \$11,750) may qualify for a refundable credit of up to \$1,000 for each qualifying child under 17. Even if their income was not high enough to claim this credit last year, they may be able to claim it this year. A refundable credit means that the taxpayer gets a check even if their tax liability is \$0 for the year.
- Disaster Relief - 2008 had the second highest number of federal disasters since the 1950s. Hurricanes Gustav and Ike, Midwest flooding and tornadoes, and wildfires in California dominated the headlines and resulted in special tax relief for victims. Congress passed special tax relief laws for victims of the numerous disasters in America last year. Affected taxpayers include those living in the disaster areas, those outside the disaster areas whose tax records are located in the areas, businesses located in the disaster areas and relief workers.
Recent disaster relief provisions allow taxpayers who suffered a personal casualty loss because of the disaster in a federally declared disaster area to claim the loss as part of the standard deduction. This will be welcome news to taxpayers who do not itemize. Finally, taxpayers impacted by the Midwest flooding should contact their tax professional for more information about special relief provisions.

"This year's tax season is shaping up to be dynamic and confusing," McAnarney said. "But there is assistance out there. Our tax professionals are trained to understand the latest tax changes and to assist taxpayers in getting all the deductions and credits they deserve. And in today's unstable economic environment, this is not a time to scrimp on tax preparation."

Visit www.hrblock.com/presscenter and www.digits.hrblock.com or call 1-800-HRBLOCK for more information about National Tax Advice Day, this year's key tax benefits and H&R Block's products and services.

The Tax Institute is a national leader in providing unbiased research, analysis and interpretation of federal and state tax laws. Staffed by Enrolled Agents, CPAs, and Attorneys, The Tax Institute provides industry expertise for matters related to taxes and the professional tax preparation industry.

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For Further Information:

Gene King
816-854-4287

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