

H&R Block: Remember Unemployment Benefits Count as Taxable Income

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Act Now to Ensure No Surprises Come Tax Time

KANSAS CITY, MO, Dec 11, 2008 (MARKET WIRE via COMTEX News Network) -- As a record number of people file for unemployment, it's critical they understand the tax implications of receiving those benefits -- so they don't have an unexpected tax bill next April.

"Many people don't realize that unemployment compensation is taxable income," Amy McAnarney, executive director of The Tax Institute at H&R Block (NYSE: HRB), said. "Unless you specifically request it, the state does not withhold tax from your unemployment check."

These individuals can act now to help avoid any surprises come April. By completing Form W-4V - Voluntary Withholding Request, 10 percent of an individual's benefits will be withheld for federal taxes. "This won't cover the cost of state taxes, so make sure to plan for that as well," McAnarney said.

Another option is to set aside 10-20% of a benefits check to cover the taxes. If possible, the money should be deposited in a money market or other account that may earn interest to help defray some of the taxes due in April. If an individual anticipates an extended unemployment, he or she may consider paying quarterly estimated taxes on their benefits.

McAnarney does point out that many expenses incurred as a result of a job search are tax deductible. Among them: Resume development, professional placement services, and mileage driven and other travel-related expenses incurred in pursuit of a new job could be deductible. Only taxpayers who itemize deductions can deduct job search expenses as part of their miscellaneous deductions. However, only miscellaneous expenses that exceed 2 percent of your adjusted gross income are deductible. "Because even the little expenses add up, be sure to document and keep receipts," McAnarney said.

H&R Block tax offices are open now and can help individuals best prepare for any taxes on unemployment compensation before the year ends.

About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of \$4.1 billion in fiscal year 2008. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

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