

Time Running out for Taxpayers to Impact Their 2006 Tax Returns

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H&R Block Offers Steps That Could Boost Tax Refund or Minimize Liability

KANSAS CITY, Mo.--(BUSINESS WIRE)--Nov. 9, 2006--Taxpayers wanting to improve their tax situations have just two short months to take steps to impact their 2006 tax returns.

Certain measures taken before Dec. 31 - such as buying a hybrid vehicle or paying education expenses early - could yield big savings when tax season comes.

H&R Block Inc. (NYSE: HRB) offers the following tips to help taxpayers prepare for year-end planning:

Retirement contributions: If taxpayers haven't contributed the maximum to their 401(k) or other tax-free retirement account in 2006, there's still time to protect some income. These contributions are made pre-tax, which reduces the taxpayers' adjusted gross income and overall tax bill.

In addition to 401(k) plans, contributions to other retirement savings accounts, such as IRAs, can be made up to the April 16 tax filing deadline and still count toward a taxpayer's 2006 tax return.

Hybrid vehicles: Buying a hybrid car or truck this year could qualify taxpayers for tax credits ranging from \$250 to \$2,600, depending on the make and model of the vehicle and when the purchase is made.

The amount of the credit relates to how soon, after a vehicle manufacturer has sold its 60,000th hybrid vehicle, taxpayers make their purchases. The full credit is available to taxpayers until the 60,000-vehicle threshold is reached. Afterwards, the credit is reduced on a quarterly basis. To date, Toyota is the only manufacturer to have sold more than 60,000 hybrids.

Energy efficiency: Besides alternative-energy vehicles, a \$500 maximum one-time credit for qualifying energy-efficient home improvements, such as installing certain insulation, windows, metal roofs, solar water heaters, heat pumps, central air conditioners or furnaces is available.

Taxpayers should look for certification that the item is eligible for the credit, and the purchase must be made before the end of the 2006 calendar year to have an effect on this tax season's return.

Education expenses: Taxpayers with college tuition bills for the spring 2007 semester could benefit by settling the balance before the new year.

For 2006, a taxpayer whose modified adjusted gross income is less than \$45,000, \$90,000 for married taxpayers filing a joint return, could qualify for the Hope or Lifetime Learning credit.

The credit starts phasing out at those income levels, and neither credit may be taken once modified adjusted gross income reaches \$55,000 for single taxpayers or \$110,000 for married taxpayers filing jointly.

Charitable giving: After Aug. 17, 2006, donations of clothing or household items that aren't in "good used condition" or better won't be tax-deductible, so taxpayers might not experience the leniency that they have in the past.

An additional form must be filled out to claim a deduction for non-cash contributions that total more than \$500. The IRS also may disallow deductions for items that have little or no monetary value.

For cash donations of \$250 or more made during 2006, deductions are granted only with written acknowledgment from the qualified organization. For 2007, all cash contributions must be documented with a bank record, such as a cancelled check, or a written acknowledgment from the qualified organization.

Taxpayers can visit www.hrblock.com to download a free copy of H&R Block's DeductionPro software, an intuitive and convenient way to help taxpayers maximize and track their charitable donations.

Rethink withholding: If taxpayers think they may owe the IRS, they should consider having more withheld from their paychecks at the end of the year to minimize their tax bill.

This step should be viewed as a temporary fix, though. Having too much withheld from a person's payroll is the equivalent of giving the government a tax-free loan. Taxpayers also should review all of their tax forms early in 2007 to make sure the appropriate amount is being withheld.

For more information about how year-end tax planning can help improve a taxpayer's financial situation, contact H&R Block at 1-800-HRBLOCK or www.hrblock.com/presscenter.

About H&R Block

H&R Block Inc. (NYSE: HRB) 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 \$4.9 billion and net income of \$490 million in fiscal year 2006. In fiscal year 2007, it is operating in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and software solutions); Mortgage Services (wholesale mortgage originations and loan servicing); Consumer Financial Services (investment and financial advisory services, retail mortgage loans, and banking products and services); and Business Services (tax, accounting and consulting services for mid-sized businesses). 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.

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