

H&R Block Cites Reasons Why Taxpayers Don't Claim EITC

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\$1 Billion in Valuable Benefits Missed Each Year by Low-Income Workers

KANSAS CITY, Mo.--(BUSINESS WIRE)--Jan. 30, 2007--Complex steps for claiming the Earned Income Tax Credit and a lack of awareness about the benefit are the most common reasons why taxpayers fail to claim it, according to H&R Block (NYSE: HRB).

H&R Block, which prepared one of every four tax returns claiming the EITC in 2006, helped more than 5 million taxpayers claim nearly \$10 billion in EITC benefits last year. Still, the IRS, which will promote the credit during EITC Awareness Day on Feb. 1, estimates that nearly a quarter of those who qualify don't claim the valuable credit, leaving as much as \$1 billion unclaimed.

The EITC offsets income taxes as a work incentive for low-income Americans. Because the credit is refundable, it also is an income source in cases where there is no tax liability. Income level, filing status and the number of eligible children determine the amount of the credit, which can be worth more than \$4,500 this year.

"The Earned Income Tax Credit is one way our government rewards Americans who work hard to provide for their families," said Bernie Wilson, H&R Block's vice president for business outreach. "H&R Block is partnering with cities and organizations around the country to educate taxpayers about the EITC and other important tax benefits intended to help low- and moderate-income earners."

In addition to the federal EITC, the District of Columbia and 19 states have enacted their own earned-income credits to reduce poverty by cutting taxes for families and workers. Those states include Delaware, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Jersey, New York, Oklahoma, Oregon, Rhode Island, Vermont, Virginia and Wisconsin.

About one-third of eligible federal EITC taxpayers live in states that have state earned-income programs. The Center on Budget and Policy Priorities predicts more than \$1.5 billion in state-level EITC benefits will be available this tax season.

H&R Block's education and outreach programs include:

-- Working with San Francisco city officials to introduce the Working Families Credit. Eligible families have received payments equal to a percentage of their federal EITC payment. In 2006, more than 9,500 San Francisco families claimed more than \$2 million in WFC benefits.

-- Forming alliances with local organizations that encourage and promote financial literacy, such as Operation HOPE and the Association of Community Organizations for Reform Now (ACORN). Through these partnerships, H&R Block has provided free tax and financial education to low- and moderate-income Americans in more than 60 cities.

-- Working in 2006 with Operation HOPE, the Clinton Foundation and other partners to provide free tax preparation and other services to victims of Hurricane Katrina. The program helped participants in hurricane-affected regions claim \$6.6 million in EITC and more than \$11 million in tax refunds.

-- Increasing awareness in Fresno, Calif., of the EITC with Project Refund, sponsored by Councilmember Henry T. Perea. H&R Block tax professionals prepared the tax returns of more than 500 people, who claimed more than \$1.1 million in EITC.

-- Enabling virtually all EITC-eligible taxpayers to use H&R Block's free online tax preparation service this year through the Free File Alliance at www.irs.gov. H&R Block's offer is available to taxpayers who are under 51 years old and who earned less than \$52,000 in 2006.

In all, H&R Block helped clients claim nearly \$30 billion in income tax refunds, federal, state and local tax credits, and other government benefits last year. Visit H&R Block's Online Press Center, at www.hrblock.com/presscenter, for more information.

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. The company operates in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and software solutions); Mortgage Services (non-prime mortgage originations and loan servicing); Business Services (tax, accounting and consulting services for mid-sized businesses); and Consumer Financial Services (investment and financial advisory services, retail mortgage loans and banking services). 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.

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