

H&R Block Survey Reveals Taxpayers Confused, Could Mean Smaller Refunds

April 2, 2009 2:02 PM ET

Survey Also Finds Many Taxpayers Plan to Use Refunds to Pay Off Debt

KANSAS CITY, MO, Apr 02, 2009 (MARKET WIRE via COMTEX) -- With less than two weeks to file their returns, Americans are generally confused about taxes, according to a survey by The Tax Institute at H&R Block. From the implications of unemployment benefits to how to file an extension, the fundamental tax laws are lost on most Americans -- which could be costing them potential refund money in an economy where every dollar counts.

The H&R Block (NYSE: HRB) survey assessed the tax knowledge and opinions of a nationally representative sample of 1,001 U.S. adults. The bottom line: Most Americans simply don't have a strong grasp on tax basics.

"The results are alarming because taxpayers could be missing hundreds or thousands of dollars by not knowing how to claim the appropriate credits and deductions on their returns," said Amy McAnarney, executive director of The Tax Institute at H&R Block. "In this tight economy, taxpayers need to make sure they're getting all they're entitled to."

Spending refunds in a tight economy

The survey found that, given the economy, taxpayers are more likely to use their refund for practical purposes. In fact, the survey found that 48 percent of taxpayers will use the money to pay off debt or buy necessities. Only 4 percent intend on using their refund for a splurge purchase like a flat screen TV or jewelry; that figure is down from 7 percent last year.

"When people are using their refunds for necessities, it becomes even more important that taxpayers get every credit and deduction they're due," McAnarney said.

Taxing unemployment benefits

Despite record high jobless levels, 80 percent of taxpayers surveyed don't know if unemployment benefits are taxable. The fact is unemployment benefits are typically taxable. One change: Recent legislation gives taxpayers a break by waiving taxes on the first \$2,400 in benefits received in 2009.

"If these taxpayers who are receiving unemployment don't plan for the tax liability on this amount, they could get an unwelcome bill at tax time," McAnarney said.

Amending returns for missed tax breaks

The survey found 62 percent of taxpayers don't know they can amend a return to claim missed credits or deductions from previous years. Generally, taxpayers have three years after the due date of a return to file (or to amend an already-filed return) to claim a refund. According to the IRS, there is still \$1.3 billion in unpaid refunds from 2005 that taxpayers have until April 15, 2009, to claim.

Filing extensions and paying taxes

With the tax deadline approaching, taxpayers are confused about whether they have to pay on April 15, even if they file an extension. In fact, 55 percent of taxpayers don't know that an extension of time to file is not an extension of time to pay.

"Filing an extension doesn't mean you put off your tax liability," McAnarney said. "The tax that isn't paid by April 15 is subject to interest and penalties, so it's best to pay as much as you can even if you are requesting an extension."

Waiting to file

Key findings show that although most Americans, 61 percent, have already filed their 2008 return, 19 percent are waiting until April to file their taxes. Among those waiting to file, key findings show that 40 percent say they are waiting because they do not have all of their paperwork together. More than one in five, 22 percent, are delaying filing because they expect to owe money and

another 22 percent are simply procrastinating.

As April 15 quickly approaches, taxpayers need to be aware of all the ways they can keep more of their money in their pockets - whether it's making sure they take all the credits and deductions they're entitled, or understanding how to take advantage of new breaks that apply to them.

"Taxes are confusing, especially with more than 500 changes made to the tax code last year alone," McAnarney said. "But with careful planning and professional advice, taxpayers can make decisions that will save them money at tax time."

The Tax Institute, a division of H&R Block, 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.

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.

About the survey

The telephone survey was conducted March 25-29, 2009 by Ipsos Public Affairs. The nationally representative sample of 1,001 randomly-selected adults aged 18 and over residing in the U.S. was interviewed by telephone via Ipsos' U.S. Telephone Express omnibus. With a sample of this size, the results are considered accurate within +/-3.1 percentage points. The margin of error will be larger within regions and for other sub-groupings of the survey population, such as those who are filing taxes this year. These data were weighted to ensure the sample's regional and age/gender composition reflects that of the actual U.S. population according to data from the U.S. Census Bureau.

Image Available: http://www2.marketwire.com/mw/frame_mw?attachid=953236 Image Available: http://www2.marketwire.com/mw/frame_mw?attachid=953239 Image Available: http://www2.marketwire.com/mw/frame_mw?attachid=953242 Image Available: http://www2.marketwire.com/mw/frame_mw?attachid=953245

For Further Information:
Elizabeth McKinley
816.854.4568
Email Contact

SOURCE: H & R Block

<http://www2.marketwire.com/mw/emailprcntct?id=48F318887972E255>