Up to One in Six Taxpayers in Jeopardy of Losing Tax Breaks

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Popular Expired Tax Breaks Provided More Than $87 Billion in Benefits in 2013

KANSAS CITY, MO -- (Marketwired) -- 12/01/14 -- Analysis by The Tax Institute, the independent research arm at H&R Block (NYSE: HRB), shows tax benefits for individuals and small businesses that expired in 2013 could impact as many as one in six taxpayers. The Tax Institute estimates five of the more popular expired breaks benefiting individuals delivered more than $87 billion in tax benefits in 2013.

These benefits, that include the state and local sales tax deduction, mortgage insurance premium deduction, educator expenses deduction, tuition and fees deduction and the mortgage debt relief tax benefit, are often referred to as the "extenders" because they are part of proposed legislation that would extend up to 55 tax breaks that expired last year. The Tax Institute identified another two benefits as particularly significant to individuals and families -- the nonbusiness energy property credit and the charitable IRA distribution provision.

"Unless Congress renews the expired tax breaks, taxpayers of all types and across all incomes will lose tax benefits they've used in the past," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "Taxpayers should prepare themselves and their tax returns for the changes that are ahead and look at other tax benefits for relief."

Affected taxpayers include:

- Residents of the seven states with no income tax -- including Florida, Texas and Washington -- who itemize their state and local sales taxes. These residents have been able to deduct state and local sales tax from federal returns, similar to taxpayers who deduct their state income tax when itemizing.
- Homeowners who pay mortgage insurance have used the mortgage insurance premium deduction, which may help taxpayers unlock itemization of their deductions, leading to greater tax savings.
- The average teacher spends $356 out-of-pocket on classroom supplies and has been able to use the $250 educator expenses deduction to reclaim some of those expenses.
- Finally, taxpayers who face foreclosure and receive protection through the mortgage debt relief tax benefit. Without this provision, taxpayers may find their debt discharge results in taxable income.

Taxpayers should prepare for change

Five times in the past 10 years, Congress has extended expiring tax provisions or retroactively renewed expired tax benefits anytime between November and January.

"No matter what Congress does or does not do, taxpayers will face changes this tax season," said Pickering. "These tax breaks expired more than 10 months ago, so either taxpayers will face the loss of these tax benefits or face late changes by Congress."

Taxpayers should prepare for the possibility Congress does not renew all of the expired tax benefits. Taxpayers should familiarize themselves with the expired tax breaks they have used in the past. Then they should identify alternative benefits, if any, they may use in their place. While some taxpayers may be eligible to claim alternative credits, they are not identical substitutes and have unique qualifications and restrictions.

Key 2013 Numbers and Facts

- The expiration of the ***state and local sales tax deduction*** will impact one in every 14 taxpayers. More than 10 million tax returns used this deduction to the tune of $17.5 billion.
- More than 4.5 million tax returns used the ***mortgage insurance premium deduction*** for $6.2 billion in tax benefits.

- The ***educator expenses deduction*** for teachers totaled more than $996 million on almost 4 million returns.
- On more than 2 million tax returns, students used the ***tuition and fees benefit*** to deduct $4.5 billion.
- The ***mortgage debt relief tax benefit*** impacted a little more than 500,000 tax returns, but delivered more than $58 billion in relief.
- Taxpayers, using two residential energy credits -- one of which is expiring -- claimed almost $1.5 billion in energy-efficient improvements. Taxpayers who increased their home's heating and/or cooling efficiency can no longer claim the nonbusiness energy tax credit.
- The ***charitable distribution provision*** allowed taxpayers to rollover IRA distributions tax-free to charitable organizations. IRA distributions were reported on 14.2 million tax returns; these taxpayers will no longer have an option to save on taxes by making qualified charitable distributions from their IRAs.

For help navigating delays and changes to the tax code, taxpayers may follow news from The Tax Institute at ***http://newsroom.hrblock.com*** or speak to a tax professional by calling 1-800-HRBLOCK or visiting ***www.hrblock.com***.

About H&R Block
H&R Block, Inc. (NYSE: HRB) is the world's largest consumer tax services provider. More than 650 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2014, H&R Block had annual revenues over $3.0 billion with 24.2 million tax returns prepared worldwide. Tax return preparation services are provided in approximately 12,000 company-owned and franchise retail tax offices worldwide by professional tax preparers, and through H&R Block Tax Software products. H&R Block Bank provides affordable financial services products. For more information, visit the H&R Block Newsroom at ***http://newsroom.hrblock.com/***.

About The Tax Institute at H&R Block
The Tax Institute at H&R Block is the go-to source for objective insights about federal and state tax laws affecting the individual. It provides nonpartisan information and analysis about the real world implications of tax policies and proposals to policymakers, journalists, experts and tax preparers. The Institute's experts include CPAs, Enrolled Agents, tax attorneys and former IRS agents. Building off more than 10 years of research and analysis from a specialized tax research group at H&R Block, the company launched The Tax Institute in 2007.

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