

Parents, Educators, Students Stand to Gain From Tax Breaks

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H&R Block Advises on Ways to Minimize Education Costs

KANSAS CITY, MO, Aug 25, 2010 (MARKETWIRE via COMTEX) -- Parents, educators and 19.1 million college students* have different stakes in the new school year. Yet they all have things to learn about how education can impact their tax liability.

Parents

Saving for enrollment or attendance expenses for kindergarten through college at any public or private school can be done with a Coverdell Education Savings Account. Some parents invest in 529 Plans, allowing them to prepay qualified education expenses. This year those expenses include computer equipment and technology costs used by the student and family during school years.

Education savings accounts and prepay plans share these tax benefits:

- Earnings grow tax-deferred
- Distributions are tax-free if they are less than qualified expenses.

Educators

Educators, who on average spent \$356 of their own money on supplies**, can deduct eligible classroom expenses as job expenses, which are claimed as miscellaneous itemized tax deductions. To claim itemized tax deductions, when added together they must total more than 2 percent of adjusted gross income.

The \$250 educator expense deduction for unreimbursed classroom items, such as books, supplies and computer equipment, currently is not allowed for 2010. However, legislation is pending in Congress to allow this deduction. If this deduction is allowed, it can be claimed along with the job expenses deduction.

College students

Generally, for scholarship or grant money to be tax-free it must be used to pay for qualified education expenses, such as tuition, fees and textbooks.

"Any money from scholarships and grants leftover from paying for tuition and other qualified expenses is taxable income that should be reported on a 1040 form," said Alison Flores, analyst at The Tax Institute at H&R Block. "This leftover money, whether it is used for pizza and beer -- or even room and board -- is the taxpayer's responsibility to claim."

To determine how leftover scholarship money should be reported on state or federal tax returns, students must determine residency for tax purposes, and to what state the scholarship income is sourced.

For more information about education tax breaks, contact a local H&R Block tax professional. To find the nearest H&R Block office, visit www.hrblock.com or call 800-HRBLOCK.

H&R Block provides guaranteed, income tax return preparation services through its company-owned and franchise offices, and the H&R Block At Home online and desktop solutions. For an online tutorial, join H&R Block's Get It Right Community tax forum, and visit its Twitter and Facebook pages.

* U.S. Census Bureau News, June 2010

** The Journal, 2010 National School Supply & Equipment Association Retail Market Awareness Study

About The Tax Institute at H&R Block The Tax Institute at H&R Block is the go-to source for objective insights on federal and

state tax laws affecting the individual. It provides nonpartisan information and analysis on the real world implications of tax policies and proposals to policymakers, journalists, experts and tax preparers. The Institute's experts include CPAs, Enrolled Agents, attorneys and former IRS agents who draw from years of experience and H&R Block's extensive network of resources. For more information visit our press center at <http://thetaxinstitute.com>.

About H&R Block H&R Block Inc. (NYSE: HRB) is one of the world's largest tax services providers, having prepared more than 550 million tax returns worldwide since 1955. In fiscal 2010, H&R Block had annual revenues of \$3.9 billion and prepared more than 23 million tax returns worldwide, utilizing more than 100,000 highly trained tax professionals. The Company provides tax return preparation services in person, through H&R Block At Home(TM) online and desktop software products, and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information, visit our Online Press Center.

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