

Tax Deductions for Clowns, Scrap Yard Owners, Hot Tubbers and More; H&R Block Helps Taxpayers Find Unusual Ways to ``Deduct-a-Buck''

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KANSAS CITY, Mo.--(BUSINESS WIRE)--March 3, 2006-- Clowns deducting travel expenses? Scrap yard owners deducting cat food? How about a deduction for your hot tub as a medical expense? Every year, taxpayers test the limits of the Internal Revenue Service (IRS). Now, H&R Block is giving taxpayers a new way to test their savvy of the unique and obscure in the tax code, win prizes along the way and maybe deduct a few extra bucks that they may never have expected.

The company has introduced the Deduct-a-Buck online game hosted by fictional character Max Refund. This dynamic, tongue-in-cheek game, with the look and feel of a 70's television quiz show, is located at www.deductabuck.com and will run through April 17, 2006. Prizes include Blockbuster(R) gift cards, free TaxCut Online Premium tax programs, GameStop(R) gift cards and a Dell(R) XPS Notebook Computer Grand Prize.

The www.deductabuck.com site from H&R Block provides not only a look at some of the strangest deductions on record, but also connects people to the more serious side of the tax season -- the need for real advice and sound tax preparation, because not all deduction hits and misses are laughing matters. In fact, the need for advice is greater than ever before as a wide range of commonly missed deductions potentially impact the bottom-line for taxpayers who don't know their options and miss deduction opportunities.

Nationwide, for example, 4.1 million taxpayers miss taking education credits and deductions, and 7.3 million taxpayers miss claiming the Earned Income Tax Credit, which can put as much as \$4,400 into eligible taxpayers' pockets. For more information, visit www.taxcut.com or www.hrblock.com, file early and make sure you're taking advantage of every eligible deduction - no matter how wacky they may seem. Or visit one of the more than 11,000 retail offices nationwide for advice.

After 50 years and more than 400 million tax returns, H&R Block tax professionals have seen and heard it all ... and then some. Between its 70,000 tax professionals and its array of TaxCut Online and TaxCut Software-based tax preparation products, H&R Block claimed more than \$29 billion in deductions and credits for its clients last year. Yet, every year Block sees more than its share of taxpayers' "creative" efforts to move the Internal Revenue Service (IRS) acceptance needle.

While some of the deduction attempts may seem bizarre and just plain silly -- a number of these unusual deduction attempts have actually made the grade with the IRS. Here are some more IRS classics -- those that were denied, and stranger still, those that were allowed:

A Swing and a Miss

Bath oil:

Nice for your skin, but not deductible as a medical expense.
Jefferson, Earl v. U.S., (1973, DC GA) 32 AFTR 2d 73-6053

Dancing lessons:

Not deductible as medical expense to improve varicose vein problem.
Adler, Irving v. Com., (1964, CA9) 13 AFTR 2d 1175.

Dentures:

Not allowed as a business deduction for an actor (to enable him to enunciate without a hiss).
Sparkman, Edward v. Com., (1940, CA9) 25 AFTR 285

Dog boarding costs:

Denied as a business (travel) expense while the taxpayer was away from

home.

Baratelle, Kenneth Andrew, (2000) TC Memo 2000-359

Fallout shelter:

Not deductible as "preventive medicine."

Daniels, Fred, (1963) 41 TC 324

Tattoos:

Not allowed as medical deduction (even when done by professional "artists").

Rev Rul 82-111

Buffalo meat

A professional bodybuilder was denied a deduction for high protein buffalo meat and protein shakes. However, see the "posing oil" item below.

Wheir, Corey L. v. Comm. (T.C. Summ. Op. 2004-117)

He Shoots ... He Scores!

Posing oil:

Although deductions were denied for special foods (see "buffalo meat above), a business deduction was allowed for the bodybuilder's expenses for posing oil.

Wheir, Corey L. v. Comm. (T.C. Summ. Op. 2004-117)

Boarding school in Arizona:

Travel, room & board were allowed as medical expenses for sending a young child with respiratory problems to a boarding school in Arizona.

Stringham, L. Keever, (1949) 12 TC 580

Breast implants:

Allowed as a business expense for an exotic dancer - Size 56FF.
(Unpublished case)

Cat food:

Allowed as a business expense to attract wild cats to deter snakes from a scrap yard.

Samuel T. Seawright, Et Ux., (2001) 117 TC No. 24

Clarinet lessons:

Deduction allowed (for the clarinet, too) to help a child's overbite.

Rev Rul 62-210

Moving your pets:

Moving expense deduction allowed for the cost of moving Fido to his new home.

Rev Rul 66-305

About H&R Block Digital Tax Solutions

H&R Block Digital Tax Solutions develops and publishes consumer financial and personal productivity software and online programs for the leader in tax preparation and services, H&R Block. titles include the H&R Block TaxCut family of products -- TaxCut Standard, Deluxe, and Premium -- as well as the family of online tax preparation products found at hrblock.com and taxcut.com.

About H&R Block

H&R Block, Inc. is a diversified company with subsidiaries that deliver tax services and financial advice, investment and mortgage services, and business accounting and consulting services. The company's mission is to help clients achieve their tax and financial objectives by serving as their tax and financial partner. Additional information is available on the

company's Web site at www.hrblock.com.

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