

FEATURE/`Sex and the City' is Gone, but `Tax and the City' Lives On; H&R Block Reminds America's Favorite Women They Still Have One More Date . . . With The Tax Man

February 25, 2004 2:35 PM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--Feb. 25, 2004--The show may have started as a salute to sex, high fashion and independence, but our fun-loving, sassy, 30-somethings' lives all took very grown-up directions as they sashayed down a Manhattan sidewalk for the final time last Sunday evening. And, while the women of "Sex and the City" leave us to ponder the romantic "what might have beens," there's one big question that has yet to be answered for these four women: "What kinds of tax implications do all their life changes bring about?"

In case you're wondering, H&R Block has some advice for all of the Carries, Samanthas, Mirandas and Charlottes in similar situations.

Charlotte:

Charlotte and her husband Harry are planning an international adoption and as a result will be eligible for a slew of tax breaks. If the adoption is finalized in 2004, Charlotte and Harry may have to wait until 2005 to get some of the tax breaks, but sooner or later, they'll be eligible to claim:

- An adoption expense credit of up to \$10,390 (for 2004) in the year the adoption becomes final;
- A dependency exemption worth \$3,100;
- A child tax credit worth up to \$1,000 (if Harry's AGI is less than \$110,000); and,
- A child and dependent care credit if Charlotte pays a nanny so she can go back to work at an art gallery.

Miranda:

Miranda just bought a new house in Brooklyn, has a year-old son, got married to Steve, and will be looking after and supporting her mother-in-law, a recent stroke victim. Miranda and Steve can look forward to some nice tax breaks as well:

- A dependency exemption worth \$3,100, and a child and dependent care credit for elder care for her mother-in-law;
- Assuming Miranda and Steve itemize, they can write off medical expenses (the kind insurance and Medicare don't cover) for her mother-in-law, as well as for herself, Steve and the baby. Remember, however, that only medical expenses that are more than 7.5 percent of all of their combined adjusted gross income can be written off;
- The medical expenses may include modifications to the house in Brooklyn, such as a wheel chair ramp and widened doorways. A word of advice: the write-offs are only for the change in value of the house, not the actual expense; and,
- The new home carries with it some great tax-savings benefits: mortgage interest and real estate taxes.

Samantha:

Samantha is many things, including a breast cancer survivor. With her valiant fight against the disease, she has undoubtedly incurred medical expenses that will be tax deductible:

- By itemizing, Samantha can write off medical expenses not

covered by her insurance or flexible medical spending account (the same 7.5 percent limitation applies as in the Miranda example above); and

- Now what about those wigs? As a public relations executive and business owner, persona is key to her success. The bad news, however, is that the wigs cannot be deducted as a business expense. She can, however, write the wigs off as a medical expense since her hair loss was a direct result of her cancer, as long as her doctor is willing to prescribe the wigs as part of her treatment to "avoid mental upset." But can Samantha write off more than one wig? Hmmm. Maybe. The IRS will surely raise an eyebrow or two and the short answer is that not all the wigs will likely be deductible.

Carrie:

Carrie spent two weeks in Paris, found out her book was a hit in France, and is now back in Manhattan. Though she still has her condo (mortgage and all), she has no job and is now wondering what to do with all those designer shoes:

- If Carrie itemizes, she can claim a deduction if she gives the designer shoes and clothes to a qualified charity, but what value can she attribute to each Manolo Blahnick and Prada wearable? If she's willing to do her homework, she can visit several resale stores and come up with a fair market value for them, or she can take an easier route and check the "value" of her designer duds by using H&R Block's DeductionPro software;
- Carrie may be tempted to sell her designer shoes and clothes at the Columbus Avenue Flea Market in Manhattan; but no tax write-off there;
- According to the U.S. /France income tax treaty, Carrie's book royalties may be taxable in both countries. She may be able to take the foreign tax credit to eliminate the possible double taxation; and
- Sorry, Carrie - no foreign earned income exclusion for a two-week trip. You need at least 330 days abroad to qualify for this exclusion.

So, while the women made us laugh, cry and envy their wardrobes, they're teaching one final lesson to the masses who were addicted to the show: there's a real need for sound tax advice when you encounter significant lifestyle changes.

Good luck, ladies...we wish you well.

About H&R Block

H&R Block Inc. (www.hrblock.com) is a diversified company with subsidiaries that deliver tax, financial, mortgage and business products and services. It is the only major company with subsidiaries offering a full range of software, online and in-office tax solutions, combined with personalized financial advice about retirement savings, home ownership, and other opportunities to help clients build a better financial future. As the world's largest tax services company, H&R Block served nearly 21 million clients in the U.S. and 11 countries in 2003. H&R Block Financial Advisors Inc. offers investment services and securities products. With more than 1,000 financial advisors serving clients at more than 400 offices, H&R Block Financial Advisors Inc. is a member NYSE, SIPC, a registered broker-dealer and a registered investment advisor. H&R Block Inc. is not a registered broker-dealer and is not a registered investment advisor. H&R Block Mortgage Corp. offers a full range of retail mortgage products. Option One Mortgage Corp. provides mortgage services and offers wholesale mortgage products through large financial institutions and a network of 24,000 independent mortgage brokers. RSM McGladrey Business Services Inc. and its subsidiaries serve mid-sized businesses and their owners with tax, accounting and business consulting services, as well as personal wealth management services.

CONTACT: H&R Block
Denise Sposato, 816-932-4909
dsposato@hrblock.com

SOURCE: H&R Block