

H&R Block Answers Four Essential Tax Questions for First-Time Filers

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KANSAS CITY, MO, Feb 02, 2012 (MARKETWIRE via COMTEX) --(NYSE: HRB) First job. First car. First apartment. First tax return. These signal some of the rites of passage into adulthood. More than 5 million taxpayers will file their own income tax return for the first time this tax season and they may not know where to start. Many first-time filers have been dependents on someone else's return for close to two decades, but circumstances now dictate they are required to file a tax return.

To lessen the confusion, H&R Block offers tips on who is required to file, what paper work is needed, what forms to use and what method may be right for them.

1. Who is required to file a tax return?

Generally, anyone earning income should consider filing a return. However, filing requirements depend on a combination of circumstances, including filing status, income and age. For individuals just starting out, one of the biggest determining factors will be whether they are claimed as a dependent by their parents. This means taxpayers with nearly identical circumstances may have different requirements.

For example, a single 18-year-old who is claimed as a dependent and earned \$9,000 in wages and tips from part-time jobs must file a tax return because this worker is not allowed to claim the personal exemption and standard deduction. Yet, if this person was not claimed as a dependent, filing would not be required because gross income did not exceed \$9,500, which is the 2011 filing threshold for someone who files a return as a single individual. Filing thresholds are different for each filing status and are determined by adding the personal exemption and standard deduction amounts together.

"Workers who are not required to file a tax return because their income is below their filing threshold should file a return to get a refund of all taxes withheld and/or to claim other tax benefits, such as the Earned Income Tax Credit," said Elaine Smith, master tax advisor with H&R Block.

2. What forms are needed and what is difference between a W-4 and a W-2?

The typical first-time filer may be looking in the mail or online for their W-2 from their employer. Form W-2 is prepared by employers at the end of the year and reports wages paid and taxes withheld for the year so employees have the information necessary to file their tax returns. Employers mail Form W-2 in late January and some provide them online. W-2 information also is sent to the IRS and the Social Security Administration.

Form W-4, on the other hand, is completed by the employee and is used by the employer to determine how much income tax is withheld from paychecks to cover tax liability. The amount of tax withheld is based on the number of withholding allowances an employee claims. Employees should adjust their withholding allowances when major life changes occur (e.g., getting married, having a baby or buying a house); the number of withholding allowances is generally close to the number of exemptions claimed on tax returns.

3. Which 1040 federal income tax form do I use?

There are three versions of Form 1040: 1040EZ, 1040A and Form 1040. Form 1040EZ is for the least complex individual tax situations and Form 1040 is for the most complex.

Form 1040EZ may be used by taxpayers with no dependents, no itemized tax deductions, income from wages and unemployment compensation, and \$1,500 or less in interest income. The only tax credit that can be claimed on Form 1040EZ is the Earned Income Tax Credit. Form 1040EZ can be filed for free using any H&R Block resource -- on a smartphone, online, in the office or via the new Block Live(SM) online assisted tax preparation format through Feb. 29.

Form 1040A accommodates dependent exemptions, pension income and education benefits.

Form 1040, "the long form," may be used for any income level, self-employment income and all other types of income, itemized

deductions and all personal credits.

"H&R Block is the one source for all of a taxpayer's filing options," Smith said. "At home, in the office or on the go our expertise is at your fingertips."

4. Which is the better filing method - DIY or with a tax professional?

"There's no reason to go it alone," Smith said.

Do-it-yourself software and online tax programs select the appropriate forms and use everyday language, making tax law easier to understand. However, assistance from a qualified tax professional can help put taxpayers of all income levels at ease and does not require any understanding of taxes. Ultimately, it is the taxpayer's comfort level and personal preference that determine the best method.

H&R Block's tax professionals provide guaranteed tax return preparation services in-person at retail tax offices open year-round and through Block Live(SM), the only face-to-face online tax preparation experience available in the industry. Do-it-yourself filers benefit from the expertise and guidance of The Tax Institute at H&R Block when using H&R Block At Home(TM) on their computers, tablets and smartphones. Because understanding taxes is an integral part of managing personal finances, H&R Block keeps the conversation going with clients all year via blogs, tweets and Facebook status updates.

About H&R Block H&R Block, Inc. (NYSE: HRB) has prepared more than 575 million tax returns worldwide since 1955, making it the country's largest tax services provider. In fiscal 2011, H&R Block had annual revenues of \$3 billion and prepared more than 24.5 million tax returns worldwide, including Canada and Australia. Tax return preparation services are provided in company-owned and franchise retail tax offices by approximately 100,000 professional tax preparers, and through H&R Block At Home(TM) digital products. The H&R Block Bank provides affordable banking products and services. For more information, visit the H&R Block Online Press Center.

For Further Information
Gene King
816-854-4287
Email Contact

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