SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 1997

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM -------------- TO --------------

COMMISSION FILE NUMBER 1-6089

H&R BLOCK, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MISSOURI	44-0607856
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

4400 MAIN STREET
KANSAS CITY, MISSOURI 64111
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

(816) 753-6900
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ----

The number of shares outstanding of the registrant's Common Stock, without par value, at March 7, 1997 was 104,042,145 shares.

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H&R BLOCK, INC.
CONSOLIDATED BALANCE SHEETS
AMOUNTS IN THOUSANDS, EXCEPT SHARE AMOUNTS

ASSETS	JANUARY 31, 1997 (UNAUDITED)	APRIL 30, 1996 (AUDITED)
CURRENT ASSETS		
Cash (including certificates of deposit of $444 and $22,093)	$ 199,539	$ 339,055
Marketable securities	70,382	389,557
Receivables, less allowance for doubtful accounts of $15,058 and $7,848	680,087	333,734
Prepaids and other current assets	97,733	59,912
TOTAL CURRENT ASSETS	1,047,741	1,122,258
INVESTMENTS AND OTHER ASSETS		
Investments in marketable securities	31,759	17,081
Excess of cost over fair value of net tangible assets acquired, net of amortization	89,960	61,141
Deferred subscriber acquisition costs, net of amortization	46,127	96,636
Other	70,209	59,201
	238,055	234,059
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	433,016	399,574
	$ 1,718,812	$ 1,755,891

LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable	$ 461,020	$ 72,651

Accounts payable, accrued expenses and deposits	175,107	201,320
Accrued salaries, wages and payroll taxes	51,976	109,870
Accrued taxes on earnings	-	94,406
TOTAL CURRENT LIABILITIES	688,103	478,247
DEFERRED INCOME TAXES	31,924	46,700
OTHER NONCURRENT LIABILITIES	42,302	38,222
MINORITY INTEREST	132,884	153,129
STOCKHOLDERS' EQUITY		
Common stock, no par, stated value $.01 per share	1,089	1,089
Convertible preferred stock, no par, stated value $.01 per share	4	4
Additional paid-in capital	502,436	504,694
Retained earnings	509,191	747,212
	1,012,720	1,252,999
Less cost of 4,924,855 and 5,556,097 shares of common stock in treasury	189,121	213,406
	823,599	1,039,593
	$ 1,718,812	$ 1,755,891

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED, AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	THREE MONTHS ENDED JANUARY 31,	
	1997	1996
REVENUES		
Service revenues	$ 346,233	$ 296,060
Franchise royalties	10,279	9,068
Other income	6,552	6,717
	363,064	311,845
OPERATING EXPENSES		
Employee compensation and benefits	120,245	105,124
Occupancy and equipment	145,408	98,738
Marketing and advertising	36,485	21,151
Supplies, freight and postage	21,458	29,812
Other	86,561	66,129
	410,157	320,954
Operating loss	(47,093)	(9,109)
OTHER INCOME		
Investment income, net	3,008	227
Loss before income taxes and minority interest	(44,085)	(8,882)
Income tax benefit	(15,930)	(3,411)
Net loss before minority interest	(28,155)	(5,471)
Minority interest in consolidated subsidiary	(2,829)	-

Net loss	$ (25,326)	$ (5,471)
Weighted average number of common shares outstanding	104,041	103,361
Net loss per share	$ (.24)	$ (.05)
Dividends per share	$ .20	$ .32

See Notes to Consolidated Financial Statements

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED, AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	NINE MONTHS ENDED JANUARY 31, 1997	1996
REVENUES		
Service revenues	$ 817,763	$ 711,871
Franchise royalties	16,486	14,045
Other income	9,523	8,337
	843,772	734,253
OPERATING EXPENSES		
Employee compensation and benefits	260,973	221,551
Occupancy and equipment	403,691	269,976
Marketing and advertising	156,704	41,300
Supplies, freight and postage	43,017	62,954
Other	268,774	172,187
	1,133,159	767,968
Operating loss	(289,387)	(33,715)
OTHER INCOME		
Investment income, net	14,746	7,401
Other, net	-	12,445
	14,746	19,846
Loss before income taxes and minority interest	(274,641)	(13,869)
Income tax benefit	(102,716)	(5,326)
Net loss before minority interest	(171,925)	(8,543)
Minority interest in consolidated subsidiary	(20,245)	-
Net loss	$ (151,680)	$ (8,543)
Weighted average number of common shares outstanding	103,960	104,069

Net loss per share	$ (1.46)	$ (.08)
Dividends per share	$ .84	$ .9525

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED, AMOUNTS IN THOUSANDS

	NINE MONTHS ENDED JANUARY 31, 1997	NINE MONTHS ENDED JANUARY 31, 1996
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (151,680)	$ (8,543)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	110,628	74,528
Amortization of deferred subscriber acquisition costs	104,276	9,267
Gain on sale of subsidiary	-	(12,445)
Deferred subscriber acquisition costs	(53,767)	(74,876)
Provision for deferred taxes on earnings	(11,152)	34,258
Other noncurrent liabilities	4,080	4,318
Minority interest	(20,245)	-
Changes in:		
Receivables	(346,353)	(90,460)
Prepaid expenses	(41,445)	(30,384)
Accounts payable, accrued expenses and deposits	(27,257)	14,597
Accrued salaries, wages and payroll taxes	(57,894)	(27,229)
Accrued taxes on earnings	(94,622)	(97,867)
NET CASH USED IN OPERATING ACTIVITIES	(585,431)	(204,836)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	(171,763)	(356,855)
Maturities of marketable securities	476,711	676,895
Purchases of property and equipment	(129,884)	(180,829)
Excess of cost over fair value of net tangible assets acquired, net of cash acquired	(19,524)	(11,264)
Proceeds from sale of subsidiary	-	35,000
Other, net	(13,635)	(22,158)
NET CASH PROVIDED BY INVESTING ACTIVITIES	141,905	140,789
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of notes payable	(3,147,413)	(1,452,392)
Proceeds from issuance of notes payable	3,535,782	1,647,510
Dividends paid	(87,180)	(99,813)
Payments to acquire treasury shares	-	(71,897)
Proceeds from stock options exercised	2,821	11,072
NET CASH PROVIDED BY FINANCING ACTIVITIES	304,010	34,480
NET DECREASE IN CASH	(139,516)	(29,567)
CASH AT BEGINNING OF PERIOD	339,055	90,248
CASH AT END OF PERIOD	$ 199,539	$ 60,681
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	$ 18,695	$ 58,281
Interest paid	6,989	2,898

See Notes to Consolidated Financial Statements.

H&R BLOCK, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Unaudited, dollars in thousands, except share data

1. The Consolidated Balance Sheet as of January 31, 1997, the Consolidated Statements of Operations for the three and nine months ended January 31, 1997 and 1996, and the Consolidated Statements of Cash Flows for the nine months ended January 31, 1997 and 1996 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at January 31, 1997 and for all periods presented have been made.

   Prior year amounts have been reclassified to conform to current year presentation.

   Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K/A, Amendment Number 1, for the fiscal year ended April 30, 1996.

   Operating revenues are seasonal in nature with peak revenues occurring in the months of January through April. Thus, the nine month results are not indicative of results to be expected for the year.

2. Other expenses for the nine months ended January 31, 1997 include charges totaling $25,563 recorded by the Computer Services segment. The second quarter includes a charge of $7,850 due to the withdrawal of the WOW! online service from the marketplace as of January 31, 1997. The first quarter includes a charge of $17,713 due to the potential sale or other disposition of certain assets and business operations of a corporate computer software group; the consolidation of certain U.S.-based staff functions and office facilities; the renegotiation of certain third-party customer service agreements; and the write-off of certain obsolete software costs for billing and customer service systems.

3. In October 1996, the Computer Services segment changed its rate of amortization of deferred subscriber acquisition costs to more closely correlate with recent trends in subscriber retention rates and member net revenues. The new rate of amortization is 50% in the first three months, 30% in the next nine months, and 20% in the subsequent year, compared to the previous policy of 60% in the first 12 months and 40% in the subsequent year. In conjunction with this change in amortization rates, the Computer Services segment accelerated amortization of previously deferred CompuServe Interactive Service subscriber acquisition costs of $34,500 in the second quarter. Additionally, all previously deferred subscriber acquisition costs for WOW! and SPRYNET, totaling $8,321 and $2,560, respectively, were written off in the second quarter due to the costs to service these high usage, flat-priced services. All future subscriber acquisition costs for SPRYNET will be

expensed as incurred. The total $45,381 adjustment of deferred subscriber acquisition costs is included in marketing expenses for the nine months ended January 31, 1997.

4. On July 16, 1996, the Company's Board of Directors approved a plan to spin off the Company's remaining ownership interest of approximately 80.1% in CompuServe Corporation (CompuServe) on or about November 1, 1996. The spin-off was subject to, among other things, shareholder approval at the Company's annual meeting on September 11, 1996 and a favorable ruling from the Internal Revenue Service as to the tax-free nature of the distribution.

   On August 28, 1996, the Company's Board of Directors decided not to present the proposed spin-off to shareholders at the September 1996 annual meeting. This decision was based, in part, on CompuServe's reported first quarter and projected second quarter losses, market uncertainties related to the online industry and the planned September introduction of new interfaces for CompuServe Interactive Service and WOW!

5. During the nine months ended January 31, 1997, the net unrealized holding gain on available-for-sale securities increased $235 to $1,404.

6. The Company files its Federal and state income tax returns on a calendar year basis. The Consolidated Statements of Operations reflect the effective tax rates expected to be applicable for the respective full fiscal years.

7. Net loss per common share is based on the weighted average number of shares outstanding during each period. The weighted average shares outstanding for the nine months ended January 31, 1997 declined to 103,960,000 from 104,069,000 last year, due to repurchase of outstanding shares, principally in the second quarter of the prior fiscal year, partially offset by the issuance of treasury shares for stock option exercises and a franchise acquisition this fiscal year.

8. During the nine months ended January 31, 1997 and 1996, the Company issued 69,511 and 318,108 shares, respectively, pursuant to provisions for exercise of stock options under its stock option plans. During the nine months ended January 31, 1996, the Company reacquired 1,833,200 shares of its common stock at an aggregate cost of $71,897.

9. In June 1996, a purported shareholder class action complaint was filed against CompuServe and the Company in the Court of Common Pleas, Franklin County, Ohio, entitled Greenfield v. CompuServe Corporation et al. A second purported shareholder class action suit was filed in July 1996 against CompuServe and the Company in the United States District Court for the Southern District of Ohio, entitled Romine v. CompuServe Corporation, et al. A third purported shareholder class action suit was filed in August 1996 against CompuServe, the Company and the lead underwriters in CompuServe's initial public offering of its common stock in April 1996 (the IPO) in United States District Court for the District of Minnesota, entitled Acker v. CompuServe Corporation, et al, but the plaintiffs later voluntarily dismissed this suit and joined the plaintiffs in the Romine suit. The complaints in the Greenfield and Romine cases also name certain officers and directors of CompuServe at the time of the IPO

as additional defendants. Each suit alleges similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to the IPO.

The Greenfield suit also alleges similar violations of the Ohio Securities Code and common law of negligent misrepresentation. Relief sought is unspecified but includes pleas for rescission and damages. In August 1996, an action for discovery was filed solely against CompuServe on behalf of a shareholder in the Court of Common Pleas, Franklin County, Ohio, in a matter entitled Schnipper v. CompuServe Corporation, seeking factual support for a possible additional claim relating to disclosures in connection with the IPO. The defendants are vigorously defending these suits.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

These comments should be read in conjunction with the Consolidated Balance Sheets and Consolidated Statements of Cash Flows found on pages 1 and 4, respectively.

Working capital decreased from $644.0 million at April 30, 1996 to $359.6 million at January 31, 1997. The working capital ratio at January 31, 1997 is 1.52 to 1, compared to 2.3 to 1 at April 30, 1996. The decrease in working capital and working capital ratio must be viewed in the context of the Company's business which is seasonal, with peak activity in the fourth quarter, due to the nature of the Company's Tax Services segment. Tax return preparation occurs almost entirely in the fourth quarter and has the effect of increasing certain assets and liabilities during this time.

The Company has no long-term debt. However, the Company maintains seasonal lines of credit to support short-term borrowing facilities in the United States and Canada. During the months of January through April, the Company's Canadian Tax Services regularly incurs short-term borrowings to purchase refunds due its clients.

Block Financial Corporation (BFC), a wholly-owned subsidiary of the Company, incurs short-term borrowings throughout the year to fund receivables associated with its credit card, home equity loan and other financial service programs. During January through April this year, BFC will use short-term borrowings to purchase a participating interest of 40 percent in certain Refund Anticipation Loans (RALs) through a ten-year agreement with Beneficial National Bank. RALs are loans that are expected to be retired by income tax refunds. In December 1996, BFC obtained a $1.25 billion back-up credit facility to support their various financial activities over the next twelve months; however, this facility will reduce to a $400 million year-round credit facility on April 30, 1997.

CompuServe Corporation (CompuServe), a majority-owned subsidiary of the Company, maintains a $25 million line of credit to fulfill short-term cash requirements. This facility expires in June 1997, subject to renewal.

The Company's capital expenditures and dividend payments during the first nine months were funded through internally-generated funds, the proceeds from CompuServe's initial public offering of its common stock in April 1996 and, to a lesser extent, short-term borrowing. The Company obtained a $50 million credit facility to support seasonal working capital needs from December 1996 through February 1997.

At January 31, 1997, short-term borrowings used to fund credit card loans, home equity loans, other programs and operations totaled $461.0 million, compared to $72.7 million at April 30, 1996.

On July 16, 1996, the Company's Board of Directors approved a plan to spin off the Company's remaining ownership interest of approximately 80.1% in CompuServe on or about November 1, 1996. The spin-off was subject to, among other things, shareholder approval at the Company's annual meeting on September 11, 1996 and a favorable ruling from the Internal Revenue Service as to the tax-free nature of the distribution.

In the first quarter, CompuServe incurred a nonrecurring pretax charge of $17.7 million relating to the potential sale or other disposition of certain assets and business operations of a corporate computer software group; the consolidation of U.S.-based staff functions and office facilities; the renegotiation of certain third-party customer service agreements; and the write-off of certain obsolete software costs for billing and customer service systems.

On August 28, 1996, the Company's Board of Directors announced its decision not to present the proposed spin-off to shareholders at the September 1996 annual meeting. This decision was based, in part, on CompuServe's reported first quarter and projected second quarter losses, market uncertainties related to the online industry and the planned September introduction of new interfaces for CompuServe Interactive Service and WOW!

On November 21, 1996, CompuServe announced a shift in its marketing emphasis to build on its leadership in the small-business professional and technical market sectors, and focus on profitable segments in the consumer markets. As a part of this shift, CompuServe withdrew its family-oriented WOW! online service effective January 31, 1997, which resulted in an additional nonrecurring pretax charge of $7.9 million in the second quarter of fiscal 1997.

The Company announced in December 1993 its intention to repurchase from time to time up to 10 million of its shares on the open market. In July 1996, the Company announced its intention to repurchase up to 10 million additional shares in the open market over a two-year period following the spin-off of CompuServe. Such authorization is in addition to the 1993 authorization.

RESULTS OF OPERATIONS

The analysis that follows should be read in conjunction with the table below and the Consolidated Statements of Operations found on pages 2 and 3.

Prior year amounts have been reclassified to conform to current year presentation.

THREE MONTHS ENDED JANUARY 31, 1997 COMPARED TO
THREE MONTHS ENDED JANUARY 31, 1996
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1997	1996	1997	1996

Computer services	$ 210,975	$ 203,032	$ (21,667)	$ 22,121
Tax services	123,863	97,581	(27,192)	(29,393)
Financial services	32,590	12,750	7,795	2,112
Unallocated corporate	183	483	(3,678)	(3,949)
Corporate investment income	-	-	657	227
Intersegment sales	(4,547)	(2,001)	-	-
	$ 363,064	$ 311,845	(44,085)	(8,882)
Income tax benefit			(15,930)	(3,411)
Net loss before minority interest			(28,155)	(5,471)
Minority interest			(2,829)	-
Net loss			$ (25,326)	$ (5,471)

Consolidated revenues for the three months ended January 31, 1997 increased 16.4% to $363.064 million from $311.845 million reported last year. The increase is primarily due to greater revenues reported by the Tax Services and Financial Services segments.

The consolidated pretax loss before minority interest for the third quarter of fiscal 1997 increased to $44.085 million from $8.882 million in the third quarter of last year. The increase in the third quarter loss is attributable to the Computer Services segment, which incurred a pretax loss of $21.667 million compared to pretax earnings of $22.121 million in the third quarter of last year.

The net loss was $25.326 million, or $.24 per share, compared to $5.471 million, or $.05 per share, for the same period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 3.9% to $210.975 million from $203.032 million in the comparable period last year, due to increases in Network Services revenues. Network Services revenues of $65.239 million were 27.4% better than last year due to an increase in the number of network customers and increased usage by existing customers. The number of network customers increased 24% over last year to 1,151. Commercial customer hours increased to 14.160 million hours this quarter from 10.873 million in last year's comparable quarter.

Interactive Services revenues of $138.506 million declined 2.1% compared to last year as a result of a relatively flat membership base coupled with a decline in usage. The number of CompuServe Interactive Service (CSi) subscribers at January 31, 1997, exclusive of the Japanese licensee, decreased 3.2% to 2.892 million from 2.989 million last year. Average monthly CSi total revenue per subscriber decreased 9.8% to $15.22 for the quarter ended January 31, 1997, compared to $16.88 for last year's third quarter. This decrease is primarily due to decreased usage by the membership base. Average monthly CSi total revenue per subscriber includes revenues from fees, usage, product sales, online advertising, mall, magazine and CD-ROM subscriptions.

Operating expenses increased 26.5% to $234.987 million from $185.785 million last year. Over half of the increase is attributable to a $30.419 million increase in costs directly associated with service revenues this quarter compared to last year. The increase is primarily a result of increased network hours, higher outsourced customer service costs and the write-off of obsolete equipment. Online subscriber hours, including CSi and SPRYNET, increased 11.6% to 37.808 million hours for the third quarter of fiscal 1997 from 33.874 million hours in the comparable period last year. Depreciation and amortization increased 52.7% to $29.363 million as a result of increased capital expenditures to double network capacity to support the rapid growth during the past year.

The pretax loss was $21.667 million, compared to pretax earnings of $22.121 million in the third quarter of fiscal 1997.

TAX SERVICES

Revenues increased 26.9% to $123.863 million from $97.581 million last year, due to an increase in the number of tax returns prepared and an increase in the average charge which is a continuation of a pricing strategy adopted last fiscal year. During the first month of the U.S. tax season, returns prepared by company-owned offices increased 21.7% to 1.2 million compared with the previous January. The number of electronically filed returns prepared by company-owned offices increased 29.2% to 946 thousand in January. However, the number of returns filed electronically in company-owned offices for taxpayers who prepare their own returns remained consistent with the prior year. The significant increase in revenues and number of returns prepared and electronically filed is partially due to favorable weather conditions this year. Last year, severe weather in January led to the late distribution of W-2s throughout much of the eastern part of the country, shifting some amount of tax preparation into early February.

The pretax loss decreased 7.5% to $27.192 million from $29.393 million in the third quarter of last year, benefiting from the investments that began last May of adding approximately 250 new

offices, significantly improving technology, enhancing the Premium business and favorable weather conditions this year.

FINANCIAL SERVICES

Revenues increased 155.6% to $32.590 million from $12.750 million in the same period last year. This increase is mainly attributed to participation in the RAL program and mortgage loan operations, including a gain recognized on the securitization of home equity loans. In the third quarter of fiscal 1997, the Financial Services segment began participating in the RALs offered through Beneficial National Bank by purchasing a 40% interest in such RALs, generating revenues of $10.719 million. The Financial Services segment also completed its first securitization of home equity loans, recording a $3 million gain on a $102 million asset backed security issue that closed on January 30, 1997. Additionally, revenues from credit cards and software sales increased 28.1% and 40.6%, respectively, compared to last year.

The pretax earnings increased to $7.795 million from $2.112 million in the third quarter of fiscal 1996, primarily due to participation in the RAL program and the $3 million gain on the securitization.

INVESTMENT INCOME

Net corporate investment income increased 189.4% to $657 thousand from $227 thousand last year. The increase resulted from more funds available for investment, partially offset by lower short-term interest rates in fiscal 1997.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss for the third quarter decreased 6.9% to $3.678 million from $3.949 million in the comparable period last year. The decrease resulted from lower professional fees partially offset by increased charitable contributions.

THREE MONTHS ENDED JANUARY 31, 1997 (THIRD QUARTER) COMPARED TO
THREE MONTHS ENDED OCTOBER 31, 1996 (SECOND QUARTER)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	3rd Qtr	2nd Qtr	3rd Qtr	2nd Qtr
Computer services	$ 210,975	$ 214,343	$ (21,667)	$ (92,115)
Tax services	123,863	30,805	(27,192)	(41,576)
Financial services	32,590	9,984	7,795	(2,090)
Unallocated corporate	183	318	(3,678)	(3,081)
Corporate investment income	-	-	657	2,263
Intersegment sales	(4,547)	(2,000)	-	-
	$ 363,064	$ 253,450	(44,085)	(136,599)
Income tax benefit			(15,930)	(50,940)
Net loss before minority interest			(28,155)	(85,659)
Minority interest			(2,829)	(11,531)
Net loss			$ (25,326)	$ (74,128)

Consolidated revenues increased 43.2% to $363.064 million from $253.450 million in the second quarter of fiscal 1997. The increase is primarily due to higher revenues generated by the Tax Services segment related to the beginning of the U.S. and Canadian tax filing seasons and higher revenues from the Financial Services segment.

The consolidated pretax loss before minority interest decreased 67.7% to $44.085 million from $136.599 million for the three months ended October 31, 1996. The decrease is largely due to the Computer Services segment, which incurred a pretax loss of $21.667 million compared to $92.115 million in the second quarter.

The net loss was $25.326 million, or $.24 per share, compared to $74.128 million, or $.71 per share, for the second quarter of fiscal 1997.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues decreased 1.6% to $210.975 million from $214.343 million reported in the second quarter of fiscal 1997. The decrease is due to less revenues generated by the Interactive Services division offset by increases in the Network Services division and other revenues. Interactive Services revenues for the three months ended January 31, 1997 decreased 3.9% to $138.506 million, as compared to the second quarter. Network Services revenues grew 2.6% to $65.239 million due to an increase in number of customers. New commercial customers increased 8.5% to 1,151, adding a record 90 corporate customers in the third quarter.

The pretax loss decreased 76.5% to $21.667 million from $92.115 million reported in the second quarter of fiscal 1997. The decrease is largely due to the $7.850 million nonrecurring pretax charge related to the withdrawal of the WOW! online service, the accelerated amortization of previously deferred CompuServe Interactive Service subscriber acquisition costs of $34.500 million and the write-off of previously deferred WOW! and SPRYNET deferred subscriber acquisition costs of $8.321 million and $2.560 million, respectively, in the second quarter. Additionally, cost savings were obtained in the third quarter related to costs directly associated with service revenues and marketing expenses.

TAX SERVICES

Revenues increased to $123.863 million from $30.805 million in the second quarter of fiscal 1997. The pretax loss decreased 34.6% to $27.192 million from $41.576 million reported for the three months ended October 31, 1996. The improved results are due to the onset of the tax filing season in the United States and Canada.

FINANCIAL SERVICES

Revenues increased 226.4% to $32.590 million from $9.984 million for the three months ended October 31, 1996. The increase in revenues is associated with participation in the RAL program, mortgage loan operations and growth in software sales. In the third quarter of fiscal 1997, the Financial Services segment began participating in the RALs offered through Beneficial National Bank by purchasing a 40% interest in such RALs, generating revenues of $10.719 million. Mortgage operations revenues increased 261.1% to $4.832 million from $1.338 million for the three months ended October 31, 1996, including a gain of $3 million on the first securitization of home equity loans. The increase in software sales is from sales of TaxCut(R) software. Tax preparation software sales are highly seasonal, and normally peak in the third and fourth quarters of the fiscal year concurrent with the tax filing season.

The pretax earnings of $7.795 million increased from the pretax loss of $2.090 million for the second quarter of fiscal 1997, due to greater revenues related to the beginning of the tax season and the $3 million gain on the securitization.

INVESTMENT INCOME

Net corporate investment income decreased 71.0% to $657 thousand from $2.263 million earned for the three months ended October 31, 1996, due to lower funds available for investment because of the additional resources required to fund operations during the Tax Services segment's off-season.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss increased 19.4% to $3.678 million from $3.081 million in the second quarter of fiscal 1997, resulting from increased employee costs and charitable contributions, partially offset by decreased shareholder-related expenses.

NINE MONTHS ENDED JANUARY 31, 1997 (FYTD) COMPARED TO
NINE MONTHS ENDED JANUARY 31, 1996 (FYTD)
(AMOUNTS IN THOUSANDS)

	Revenues		Earnings (loss)	
	1997	1996	1997	1996

Computer services	$ 633,960	$ 577,955	$ (161,852)	$ 88,323
Tax services	166,950	135,139	(113,997)	(104,963)
Financial services	50,798	25,857	4,683	4,092
Unallocated corporate	610	1,313	(10,338)	(8,722)
Corporate investment income	-	-	6,863	7,401
Intersegment sales	(8,546)	(6,011)	-	-
	$ 843,772	$ 734,253	(274,641)	(13,869)
Income tax benefit			(102,716)	(5,326)
Net loss before minority interest			(171,925)	(8,543)
Minority interest			(20,245)	-
Net loss			$ (151,680)	$ (8,543)

Consolidated revenues for the nine months ended January 31, 1997 increased 14.9% to $843.772 million from $734.253 million reported last year. The increase is principally due to greater revenues reported by all operating segments.

The consolidated pretax loss before minority interest increased to $274.641 million from $13.869 million in the comparable period last year. The increased loss is largely due to the Computer Services segment which incurred a pretax loss of $161.852 million compared to pretax earnings of $88.323 million in the prior year.

The net loss was $151.680 million, or $1.46 per share, compared to $8.543 million, or $.08 per share, for the comparable period last year.

An analysis of operations by segment follows.

COMPUTER SERVICES

Revenues increased 9.7% to $633.960 million from $577.955 million last year due to increases in both Interactive Services and Network Services revenues. Network Services revenues of $188.124 million were 30.7% better than last year, due to increasing usage and new customers. The number of network customers increased 24.0% over last year to 1,151. Commercial customer hours increased to 41.617 million from 30.620 million at January 31, 1996. Interactive Services revenues of $424.013 million were 3.8% better than last year. The growth is due to an increase in customers, offset by a pricing structure change introduced in September 1995. The number of CSi and SPRYNET subscribers at January 31, 1997, exclusive of the Japanese licensee, increased 2.4% to 3.162 million from 3.088 million last year.

Operating expenses increased 63.6% to $803.668 million from $491.368 million last year. Costs directly associated with service revenues increased $143.035 million, or 51.3%, as a result of increased network hours and higher outsourced customer service costs. Online subscriber hours, including CSi and SPRYNET, increased 42.6% to 113.049 million hours for the nine months ended January 31, 1997, from 79.267 million hours last year. Marketing expenses for the nine months increased $106.298 million over last year primarily due to accelerated amortization of previously deferred CSi subscriber acquisition costs of $34.500 million, the write-off of previously deferred WOW! and SPRYNET subscriber acquisition costs of $8.321 million and $2.560 million, respectively, and the scheduled amortization of deferred subscriber acquisition costs. The first nine months of the year also include nonrecurring charges totaling $25.563 million before taxes. A nonrecurring pretax charge of $17.713 million was recorded in the first quarter related to the potential sale or other disposition of certain assets and business operations of a corporate computer software group; the consolidation of certain U.S.-based staff functions and office facilities; the renegotiation of certain third-party customer service agreements; and the write-off of certain obsolete software costs for billing and customer service systems. The second quarter of fiscal 1997 includes a nonrecurring pretax charge of $7.850 million related to the withdrawal of the WOW! online service from the marketplace as of January 31, 1997.

The pretax loss was $161.852 million, compared to pretax earnings of $88.323 million last year.

TAX SERVICES

Revenues increased 23.5% to $166.950 million from $135.139 million last year, due to an increase in the number of tax returns prepared and an increase in the average charge which is a continuation of a pricing strategy adopted last fiscal year. The significant increase in revenues and number of returns prepared and electronically filed is partially due to favorable weather conditions this year. Last year, severe weather in January led to the late distribution of W-2s throughout much of the eastern part of the country, shifting some amount of tax preparation to early February.

The pretax loss increased 8.6% to $113.997 million from $104.963 million last year, due to first-time expenses in operating acquired franchises and competitors, investment in field management and existing offices, and normal inflationary and volume-related increases in expenses. The

expense increases were partially offset by improved revenues due in part to favorable weather conditions this year.

FINANCIAL SERVICES

Revenues increased 96.5% to $50.798 million from $25.857 million last year due to participation in the RAL program and mortgage loan operations, including a gain recognized on the securitization of home equity loans. In the third quarter of fiscal 1997, the Financial Services segment began participating in the RALs offered through Beneficial National Bank by purchasing a 40% interest in such RALs, generating revenues of $10.719 million. The Financial Services segment also completed its first securitization of home equity loans, recording a $3 million gain on a $102 million asset backed security issue that closed on January 30, 1997. Additionally, revenues from credit cards increased 24.1% to $22.624 million compared to last year.

Pretax earnings increased 14.4% to $4.683 from $4.092 million for the comparable prior year period. Last year's results included a gain on the sale of MECA Software, Inc. of $12.445 million, partially offset by a write-down of impaired assets associated with the tax preparation software business of $8.389 million, resulting in pretax earnings of $36 thousand exclusive of these items. Pretax results increased by $4.647 million, exclusive of these items, due to participation in the RAL program and the $3 million gain on the securitization.

INVESTMENT INCOME

Net corporate investment income decreased 7.3% to $6.863 million from $7.401 million last year. The decrease resulted from lower short-term interest rates in fiscal 1997.

CORPORATE AND ADMINISTRATIVE EXPENSES

The corporate and administrative pretax loss increased 18.5% to $10.338 million from $8.722 million last year, due to increased charitable contributions and expenses of $795 thousand associated with the planned spin-off of the Company's remaining investment in CompuServe (see discussion under the Financial Condition section of the Management's Discussion and Analysis). Increases in expenses were partially offset by lower professional fees.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The lawsuits discussed herein were reported in the Forms 10-Q for the first and second quarters of fiscal year 1997. In June 1996, a purported shareholder class action complaint was filed against CompuServe Corporation (CompuServe) and the registrant in the Court of Common Pleas, Franklin County, Ohio, in a case entitled Greenfield v. CompuServe Corporation, et al. A second purported shareholder class action suit was filed in July 1996 against CompuServe and the registrant in the United States District Court for the Southern District of Ohio in a case entitled Romine v. CompuServe Corporation, et al. A third purported shareholder class action suit was filed in August 1996 against CompuServe, the registrant and the lead underwriters in CompuServe's initial public offering of its common stock in April 1996 (the IPO) in the United States District Court for the District of Minnesota in a case entitled Acker v. CompuServe Corporation, et al., but the plaintiffs in such case later voluntarily dismissed the suit and joined the plaintiffs in the Romine suit. The complaints in the Greenfield and Romine cases also name certain officers and directors of CompuServe at the time of the IPO as additional defendants. Each suit alleges similar violations of the Securities Act of 1933 based on assertions of omissions and misstatements of fact in connection with CompuServe's public filings related to the IPO. The Greenfield suit also alleges similar violations of the Ohio Securities Code and common law of negligent misrepresentation. Relief sought is unspecified but includes pleas for rescission and damages. In August 1996, an action for discovery was filed solely against CompuServe on behalf of a shareholder in the Court of Common Pleas, Franklin County, Ohio, in a matter entitled Schnipper v. CompuServe Corporation, seeking factual support for a possible additional claim relating to IPO disclosures. The defendants are vigorously defending these suits.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

(10)(a)	Amendment No. 7 to the H&R Block Deferred Compensation Plan for Executives.
(10)(b)	Amendment No. 3 to the H&R Block Supplemental Deferred Compensation Plan for Executives.
(10)(c)	Amendment No. 2 to the H&R Block Deferred Compensation Plan for Directors.
(27)	Financial Data Schedule.

(b) Reports on Form 8-K

The registrant did not file any reports on Form 8-K during the third quarter of fiscal year 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

H&R BLOCK, INC.
(Registrant)

DATE 3/13/97 BY /s/ George T. Robson

George T. Robson
Senior Vice President,
Chief Financial Officer
and Treasurer

DATE 3/13/97 BY /s/ Patrick D. Petrie

Patrick D. Petrie
Vice President and
Corporate Controller

EXHIBIT (10)(a)

AMENDMENT NO. 7
TO THE
H&R BLOCK DEFERRED COMPENSATION PLAN
FOR EXECUTIVES

H&R BLOCK, INC. (the "Company") adopted the H&R Block Deferred Compensation Plan for Executives (the "Plan") effective as of August 1, 1987. The Company amended said Plan by Amendment No. 1 effective December 15, 1990; by Amendment No. 2 effective January 1, 1990; by Amendment No. 3 effective September 1, 1991; by Amendment No. 4 effective January 1, 1994; by Amendment No. 5 effective May 1, 1994; and by Amendment No. 6 effective August 1, 1995. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 7 is effective as of December 11, 1996.

AMENDMENT

1. Section 2.1.22 of the Plan, as previously amended, is further amended (a) by deleting the following phrase "and MECA Software, Inc.,"; (b) by replacing the period at the end of this Section with a semi-colon; and (c) by adding after the semi-colon the following:

> "provided, however, that as of the close of business on December 31, 1996, CompuServe Incorporated and all of its subsidiaries shall be deemed to be Participating Affiliates only to the extent of existing Accounts established with respect to eligible Executives."

2. Section 3.2 of the Plan, as previously amended, is further amended by replacing the period at the end of the second sentence with a comma, and by adding after the comma the following:

> "and subject to the provisions of Sections 3.6 and 3.7."

3. Section 3.3 of the Plan, as previously amended, is further amended (a) by deleting the word "or" in between subsections (b) and (c) thereof; (b) by replacing the period at the end of the first sentence with a comma; and (c) by adding after the comma the following:

> "or (d) the transfer of all benefits to which the Participant is entitled under the Plan to a deferred compensation plan established by or for the benefit of CompuServe Corporation, CompuServe Incorporated and/or any direct or indirect subsidiary of CompuServe Corporation (hereinafter collectively referred to as 'CompuServe')."

4. The following Section 3.6 is added to the Plan:

> "Section 3.6 Participants Employed by CompuServe. As of the close of business on December 31, 1996, those Participants employed by CompuServe ('CompuServe Participants') shall no longer (a) make Permissible Deferral elections for the Plan Years commencing on or after January 1, 1997, or (b) make deferrals from Base Salary or Bonuses pursuant to any outstanding Permissible Deferral elections. During their continuous employment by CompuServe after

December 31, 1996, and prior to any transfer of benefits pursuant to Section 3.7, (i) gains and losses shall be posted to the Accounts of CompuServe Participants in accordance with the provisions of Section 4.2, and (ii) vesting for Company Contributions shall continue as set forth in Article 5."

5. The following Section 3.7 is added to the Plan:

"Section 3.7 Election by CompuServe Participants Upon a Spin-Off or Other Disposition Not Involving a Change in Control. In the event that the Company transfers, sells, distributes, exchanges or otherwise disposes of the CompuServe Corporation common stock directly or indirectly held by the Company by means of a pro-rata distribution by the Company to its shareholders (the 'Spin-Off') or by any other means, as a result of which the Company thereafter directly or indirectly owns less than fifty percent (50%) of the issued and outstanding common stock of CompuServe Corporation, but a Change in Control of a Participating Subsidiary under Section 1.01-2 of the Trust has not occurred, then each Participant employed by CompuServe on the effective date of such Spin-Off or other disposition shall within thirty (30) days after such effective date elect to either:

(a) maintain his or her Account(s) and continue to participate in the Plan as set forth in Section 3.6; or

(b) have the Company transfer all of the benefits to which the Participant is entitled under the Plan to a deferred compensation plan established by or for the benefit of CompuServe (the 'CompuServe Plan'), and upon such transfer, release the Company from all liability under the Plan.

If the Participant makes no election within said 30-day period, the Participant will be deemed to have elected to maintain his or her Account(s) and to continue to participate in the Plan as set forth in Section 3.6. If a Participant elects to have the Company transfer benefits to the CompuServe Plan, said transfer to the CompuServe Plan shall be

completed within 120 days after the effective date of the Spin-Off or other distribution. Upon such transfer, the Participant shall no longer participate in the Plan, and the Company shall have no further liability to the Participant under the Plan. If a Participant elects to have the Company transfer benefits and then terminates employment with CompuServe prior to said transfer, or if the Participant terminates his or her employment with CompuServe during said 30-day period prior to making an election, the benefits to which the Participant is entitled shall be paid pursuant to the provisions of Article 6 of the Plan."

6. Section 11.5 of the Plan shall be amended by adding the following sentence to the end of such Section:

"This Section 11.5 shall not be deemed to prohibit a transfer of benefits pursuant to Section 3.7."

7. Except as modified in this Amendment No. 7, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the

Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

EXHIBIT (10)(b)

AMENDMENT NO. 3
TO THE
H&R BLOCK SUPPLEMENTAL
DEFERRED COMPENSATION PLAN FOR EXECUTIVES

H&R BLOCK, INC. (the "Company") adopted the H&R Block Supplemental Deferred Compensation Plan for Executives (the "Plan") effective as of May 1, 1994. The Company amended said Plan by Amendment No. 1 effective September 7, 1994; and by Amendment No. 2 effective August 1, 1995. The Company continues to retain the right to amend the Plan, pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 3 is effective as of December 11, 1996.

AMENDMENT

1. Section 2.1.24 of the Plan is amended (a) by deleting the following phrase "MECA Software, Inc.,"; (b) by replacing the period at the end of this Section with a semi-colon; and (c) by adding after the semi-colon the following:

> "provided, however, that as of the close of business on December 31, 1996, CompuServe Incorporated and all of its subsidiaries shall be deemed to be Participating Affiliates only to the extent of existing Accounts established with respect to eligible Executives."

2. Section 3.2 of the Plan, as previously amended, is further amended by replacing the period at the end of the second sentence with a comma, and by adding after the comma the following:

> "and subject to the provisions of Sections 3.6 and 3.7."

3. Section 3.3 of the Plan is amended (a) by deleting the word "or" in between subsections (a) and (b) thereof; (b) by replacing the period at the end of the first sentence with a comma; and (c) by adding after the comma the following:

> "or (c) the transfer of all benefits to which the Participant is entitled under the Plan to a deferred compensation plan established by or for the benefit of CompuServe Corporation, CompuServe Incorporated and/or any direct or indirect subsidiary of CompuServe Corporation (hereinafter collectively referred to as 'CompuServe')."

4. The following Section 3.6 is added to the Plan:

> "Section 3.6 Participants Employed by CompuServe. As of the close of business on December 31, 1996, those Participants employed by

> CompuServe ('CompuServe Participants') shall no longer (a) make Permissible Deferral elections for the Plan Years commencing on or after January 1, 1997, or (b) make deferrals from Base Salary or Bonuses pursuant to any outstanding Permissible Deferral elections. During their

continuous employment by CompuServe after December 31, 1996, and prior to any transfer of benefits pursuant to Section 3.7, (i) the Accounts of CompuServe Participants shall continued to be valued in accordance with the provisions of Section 4.2, and (ii) vesting for Company Contributions shall continue as set forth in Section 5.2."

5. The following Section 3.7 is added to the Plan:

"Section 3.7 Election by CompuServe Participants Upon a Spin-Off or Other Disposition Not Involving a Change in Control. In the event that the Company transfers, sells, distributes, exchanges or otherwise disposes of the CompuServe Corporation common stock directly or indirectly held by the Company by means of a pro-rata distribution by the Company to its shareholders (the 'Spin-Off') or by any other means, as a result of which the Company thereafter directly or indirectly owns less than fifty percent (50%) of the issued and outstanding common stock of CompuServe Corporation, but a Change in Control of a Participating Subsidiary under Section 1.01-2 of the Trust has not occurred, then each Participant employed by CompuServe on the effective date of such Spin-Off or other disposition shall within thirty (30) days after such effective date elect to either:

(a) maintain his or her Account(s) and continue to participate in the Plan as set forth in Section 3.6; or

(b) have the Company transfer all of the benefits to which the Participant is entitled under the Plan to a deferred compensation plan established by or for the benefit of CompuServe (the 'CompuServe Plan'), and upon such transfer, release the Company from all liability under the Plan.

If the Participant makes no election within said 30-day period, the Participant will be deemed to have elected to maintain his or her Account(s) and to continue to participate in the Plan as set forth in Section 3.6. If a Participant elects to have the Company transfer benefits to the CompuServe Plan, said transfer to the CompuServe Plan shall be completed within 120 days after the effective date of the Spin-Off or other distribution. Upon such transfer, the Participant shall no longer participate in the Plan, and the Company shall have no further liability to the Participant under the Plan. If a Participant elects to have the Company

transfer benefits and then terminates employment with CompuServe prior to said transfer, or if the Participant terminates his or her employment with CompuServe during said 30-day period prior to making an election, the benefits to which the Participant is entitled shall be paid pursuant to the provisions of Article 6 of the Plan."

6. Section 6.6.2 of the Plan, as previously amended, is further amended by replacing the second paragraph of said Section with the following new paragraph:

"The pre-retirement death benefit shall be paid semimonthly for a ten-year period. The Beneficiary may petition the Committee for an alternative method of payment. Earnings on the Account shall continue to be credited during the payment period at an interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of September 30 of the Plan Year immediately prior to the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. Commencement of the benefits under this Section 6.6.2 shall begin no later than six (6) months following the death of the Participant notwithstanding any election which the Participant may have made to defer benefits pursuant to Section 6.5."

7. Section 10.5 of the Plan shall be amended by adding the following sentence to the end of such Section:

"This Section 10.5 shall not be deemed to prohibit a transfer of benefits pursuant to Section 3.7."

8. Except as modified in this Amendment No. 3, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

EXHIBIT (10)(c)

AMENDMENT NO. 2
TO THE
H&R BLOCK
DEFERRED COMPENSATION PLAN FOR DIRECTORS

H&R BLOCK, INC. (the "Company"), adopted the H&R Block Deferred Compensation Plan for Directors (the "Plan") effective as of September 1, 1987. The Company amended said Plan by Amendment No. 1 effective May 1, 1995. The Company continues to retain the right to amend the Plan pursuant to action by the Company's Board of Directors. The Company hereby exercises that right. This Amendment No. 2 is effective as of December 11, 1996.

AMENDMENT

1. Section 2.1.15 of the Plan, as previously amended, is further amended by deleting the following phrases: "CompuServe Incorporated," and "and MECA Software, Inc.,".

2. Section 2.1.20 of the Plan is amended by replacing the word "monthly" with "semimonthly".

3. Section 4.2.1 of the Plan, as previously amended, is further amended by replacing the phrase "April 30" in the second sentence of said Section with "September 30".

4. Section 6.1 of the Plan is amended by replacing the phrase "Participant as a Director" in subsection (a) thereof with "Participant's membership on all Boards of Directors of all Participating Affiliates".

5. Section 6.2 of the Plan is replaced with the following new Section 6.2:

"Section 6.2. Form of Benefits for Distributions Made for Reasons Other Than Death.

6.2.1. For distributions made for reasons other than the death of the Participant, payments from the Account shall be made in accordance with the Standard Form of Benefit. However, the Participant in the Plan Year prior to payment of benefits may petition the Committee for, and the Committee may approve at such time, one of the following forms of benefit:

(a) semimonthly payments over a five (5) year period; or

(b) a single distribution.

6.2.2. Except for a single distribution, benefit payments shall be in the

form of semimonthly cash installments paid during the applicable payment period (the 'Overall Payment Period'). The amount of each installment payment shall be level during the portion of the Overall Payment Period ending on December 31 of the Plan Year in which benefit payments commence (the 'Initial Payment Period'), during each complete calendar year of the

Overall Payment Period thereafter (a 'Calendar Year Payment Period'), and during any remaining period of the Overall Payment Period following the last Calendar Year Payment Period (the 'Remainder Payment Period'), but will vary from one such portion of the Overall Payment Period to the next.

6.2.3. If the Participant elected the fixed rate investment option or the Common Stock crediting rate option, the amount of each level benefit payment for the Initial Payment Period, if any, each Calendar Year Payment Period, and the Remainder Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the applicable payment period and amortizing such balance over the remaining Overall Payment Period using the applicable interest rate, such that the Account balance at the end of the Overall Payment Period is zero. The applicable interest rate to be used for amortization and reamortization purposes shall be (i) the crediting rate determined in accordance with Section 4.2 if the Participant elected the fixed rate investment option, and (ii) an assumed interest rate of zero percent (0%) per annum if the Participant elected the Common Stock crediting rate option. If the Participant elected the Common Stock crediting rate option, the balance in the Account as of the beginning of each Calendar Year Payment Period and the Remainder Payment Period, if any, shall be the value of such Account as of the first business day of such Calendar Year Payment Period or the Remainder Payment Period, as the case may be.

6.2.4. If the Participant elected the variable rate investment option, (a) the amount of each level payment for the Initial Payment Period, if any, shall be calculated using the balance in the Account as of the beginning of the Initial Payment Period and amortizing such balance over the remaining Overall Payment Period using an assumed interest rate of five percent (5%) per annum; (b) the amount of each level payment for each Calendar Year Payment Period shall be calculated taking the balance in the Account as of November 30 of the calendar year immediately prior to such Calendar Year Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the remaining Overall Payment Period using an assumed interest rate of five percent (5%) per annum; and (c) the amount of each level payment for the Remainder Payment Period, if any, shall be calculated by taking the balance in the Account as of November 30 of the

calendar year immediately prior to the Remainder Payment Period, subtracting the benefit payments made during the portion of such calendar year following November 30, and amortizing the difference over the Remainder Payment Period using an assumed interest rate of zero percent (0%) per annum. If the actual crediting rate for the Remainder Payment Period is more than zero percent, the additional gain resulting from the difference shall be paid to the Participant in a single payment within six months after the last day of the Remainder Payment Period.

6.2.5. The Account shall continue to be credited during the Overall Payment Period with gains and losses as provided in Section 4.2.

6.2.6. Notwithstanding anything in this Plan to the contrary, the Committee may, in its sole discretion, (i) increase or reduce any assumed interest rate set forth in this Section 6.2 and any such assumed interest rate, as so adjusted, shall be effective for calculating level semimonthly installments for Participants whose benefit payments commence after the date of such adjustment, and (ii) change the date set forth in Section 6.2.4 on which the balance in the Participant's Account is to be determined for purposes of calculating the amount of each level payment for each Calendar Year Payment Period and each Remainder Payment Period, and any such revised date shall be effective for calculating level semimonthly installments for the Calendar Year Payment Period or the Remainder Payment Period beginning on or after the effective date of such revision."

6. Section 6.4.1 of the Plan is amended by replacing the third sentence thereof with the following new sentence:

"The Account shall be credited from the date of the Participant's death at an interest rate equal to the rate of one-year United States Treasury notes, said rate to be determined once each Plan Year and to be the rate in effect as of September 30 of the Plan Year to which it applies, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company."

7. Section 6.4.2 of the Plan is amended by replacing the first two sentences thereof with the following new sentences:

"In the event a Participant dies prior to the time benefits commence, the Company shall pay a pre-retirement death benefit to the Participant's Beneficiary equal to the Participant's Account as of the date of the Participant's death, annuitized over a ten-year period at an interest rate equal to the rate of one-year United States Treasury notes in effect as of September 30 of the Plan Year immediately prior to the Plan Year in

which payment of the pre-retirement death benefit commences, as published by Salomon Brothers, Inc., or any successor thereto, or as determined by the Chief Financial Officer of the Company. The pre-retirement death benefit shall be paid semimonthly for a ten-year period."

8. Section 9.1 of the Plan is amended by adding the following sentence to the end of said Section:

"Notwithstanding anything in this Section 9.1 to the contrary, the Committee may, in its discretion, (i) amend the Plan to increase or reduce any assumed interest rate set forth in Section 6.2, in accordance with the provisions of Section 6.2.6, or (ii) amend the Plan to change the date set forth in Section 6.2.4 on which the balance in the Participant's Account is to be determined for purposes of calculating the amount of each level payment for each Calendar Year Payment Period and each Remainder Payment Period, in accordance with the provisions of Section 6.2.6."

9. Except as modified in this Amendment No. 2, the Plan, as previously amended, shall remain in full force and effect, including the Company's right to amend or terminate the Plan as set forth in Article 9 of the Plan.

H&R BLOCK, INC.

By: /s/ Frank L. Salizzoni

Its: President and Chief Executive Officer

<ARTICLE> 5
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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND THE CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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