

## **And the Winner is... This Year's Best Picture Oscar-Nominees Highlight Common Taxpayer Characteristics; Do Any Of These Sound Familiar?**

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KANSAS CITY, Mo.--(BUSINESS WIRE)--Feb. 22, 2005--With the Academy Awards fast approaching, H&R Block (NYSE: HRB) is taking this opportunity to remind taxpayers that they should think about their own financial best picture if they want to end up winners on April 15. That means becoming familiar with some common winning -- and losing -- taxpayer characteristics and deciding which roles they'll want to play to ensure a long-running financial future.

Here's the line-up, according to H&R Block:

"Million Dollar Baby" -- When it comes to tax time, the Million Dollar Baby is knowledgeable and prepared. By taking advantage of all available state and federal credits and deductions, this taxpayer ensures that he or she will capture significant tax savings over the course of a working career.

For example, thanks to October's tax law, millions of taxpayers who pay more in state and local sales tax throughout the year than they do in state income tax can now choose to deduct the sales tax instead. This new tax provision lasts for only two years, though -- 2004 and 2005. Therefore, Million Dollar Baby may consider making a big-ticket purchase -- such as an automobile or boat -- to take advantage of this short-lived deduction, and if Million Dollar Baby lives in one of the eight states with no state income tax, the sales tax deduction is a sure winner.

While the tax savings available through credits and deductions might not total \$1 million, an informed and careful taxpayer can save hundreds or even thousands of tax dollars each year.

"It's not very glamorous, but paying attention to the details and being aware of the various credits and deductions can really pay off," says Kathy Burlison, H&R Block tax professional. "The taxpayers who really save are those who stay informed about the latest changes in the tax code, who treat tax time as an opportunity for a financial check-up and who continue to do tax planning throughout the year." Four Stars

"Ray" -- A creative risk-taker, this taxpayer looks for ways to sustain an often unconventional career path by taking advantage of multiple savings opportunities in the tax code. The Ray taxpayer understands that the tax benefits available to the self-employed -- from the home office deduction to the self-employed health insurance and other occupational-related tax deductions -- can effectively reduce taxes paid. Sometimes, however, it's easy to push too far when you're out on the edge. That's why it is important to keep good records and to only take deductions that have a sound basis in the tax code.

"There are lots of ways to lower your taxes when you're self-employed, including purchasing equipment exclusively for business use and keeping detailed records of all your expenses. But you need to be savvy and follow the rules," Burlison says. "An office-in-home deduction, for example, is usually only allowed if the home office is used exclusively for business. This means that the kids can't play 'Finding Nemo'(TM) on the office computer -- and you can't balance your personal checkbook on it, either -- unless, of course, it's a laptop and you take it out of the office for your personal use." Three Stars

"Aviator" -- Speed is the key for the Aviator taxpayer. Whether pressing to gather W-2s and other documents as quickly as possible in the new year, being among the first to meet with (or drop information off for) the tax professional, using digital solutions like TaxCut(R) software, or e-filing to expedite the tax return process, the Aviator moves rapidly to get the annual chore over with.

"Aviator-types love the speed and convenience of e-filing, which allows them to get a direct deposit of their refunds within two weeks," Burlison says. "Typically, returns that are e-filed before noon on Thursday will be processed and have refunds direct-deposited within one week, though the IRS does not guarantee a specific date."

Burlison points out that for Aviators, moving too quickly can mean mistakes or missed deductions or credits. They should therefore remember that they might be able to save some tax dollars by spending a little time before filing talking to their tax professional or reviewing free advice and help online at [irs.gov](http://irs.gov) or [hrblock.com](http://hrblock.com). Three Stars

"Finding Neverland" -- Growing up means paying taxes, and that's something this individual just can't stand. To make filing more palatable, Finding Neverland often arranges his or her finances to ensure that the dream of a large refund comes true. Frequently, the refund will be the largest single cash infusion this taxpayer will receive throughout the year.

While the money can come in handy for vacations, bill paying or major purchases, a large refund is not always the best financial course to take. That's because the money you receive through a tax refund in many cases could have been going into your pocket all year long, thereby boosting cash flow and minimizing the government's free "use" of your cash.

To determine the optimal approach to income tax withholding given your unique circumstances, visit the free W-4 calculator at [hrblock.com](http://hrblock.com).

"The best way to arrange your finances and your refund is to follow a course that lets you sleep at night," Burlison says. "For many people, it is better to be owed than to owe on April 15." Two Stars

"Sideways" -- This taxpayer is a procrastinator who typically waits until the last minute to file his or her return, or even seeks an extension to buy more time. While there's nothing wrong with filing close to the April 15 deadline, key deductions and credits can be missed when the pressure is on to complete the return quickly. In addition, the risk of errors is greater, and that could mean penalties and interest down the road.

In fact, Sideways taxpayers risk finding themselves sideways with the IRS; an extension to file is not an extension to pay. If you think you owe more in tax, you must submit payment with your extension to avoid additional penalties and interest.

Notably, those who are inclined to put off filing because they want to wait until the last possible minute to pay the government or enjoy the "float" by waiting until April 15 to file should be aware that they can file early and then have their balance due electronically withdrawn from their account as late as April 15.

"The Sideways taxpayer will probably need some incentive to get the task done," Burlison says. "He or she needs to look for a tax professional who can help them take charge. With the right person, this taxpayer might even find that the process can be fun -- or at least a little less daunting." One Star

Regardless of the role you play at tax time, it's important to remember that the script is always changing as the tax code becomes evermore complex and confusing each year. Perhaps that's why 60 percent of Americans rely on tax professionals to get their lines right by April 15! If you think you could use a little help rehearsing for the big day, or maybe even benefit from an entirely new script, get in touch with your nearby H&R Block tax professional or visit [hrblock.com](http://hrblock.com) today.

About H&R Block Inc.

Celebrating its 50th anniversary in 2005, H&R Block is the world's largest tax services provider, having served more than 400 million clients since 1955. The sixth largest retailer in the world, H&R Block has more than 12,000 locations serving taxpayers primarily in the United States, Canada and Australia.

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