Possible $80 Billion on the Line Due to Popular Expired Tax Breaks

December 1, 2015 10:46 AM ET

H&R Block Advises Taxpayers 2015 Savings Could Be Much Less

KANSAS CITY, MO -- (Marketwired) -- 12/01/15 -- Analysis by The Tax Institute, the independent research arm at H&R Block (NYSE: HRB), shows tax benefits for individuals and small businesses that expired in 2014 could impact as many as 1 in 7 taxpayers. The Tax Institute estimates five of the more popular expired breaks benefiting individuals delivered more than $80 billion in tax benefits in 2014. Many of these tax breaks have been renewed over and over again for more than a decade.

These benefits, which include the state and local sales tax deduction, mortgage insurance premium deduction, educator expenses deduction, tuition and fees deduction and the mortgage debt relief tax benefit, are often referred to as the "extenders" because they are part of proposed legislation that would once again extend up to 55 tax breaks that expired last year. The Tax Institute also identified the charitable IRA distribution provision as particularly significant to individuals and families.

"Homeowners, parents, teachers, students, retirees and more could see their tax bills increase by hundreds or thousands if these expired tax breaks aren't renewed," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "As many as 1 in 7 taxpayers could be impacted. Because of the hefty benefits they provide, recouping all of the savings they could have had may not be possible, but finding alternative benefits could help."

Affected taxpayers include:

- Residents of the seven states with no income tax -- including Florida, Texas and Washington -- who itemize their state and local sales taxes in place of the state income tax others are permitted to deduct on their federal returns when itemizing
- Homeowners who pay mortgage insurance and have been able to add the mortgage insurance premiums to their mortgage interest deduction, which may help taxpayers reach the threshold to itemize their deductions, leading to greater tax savings
- Teachers spending an average of $490 out-of-pocket on classroom supplies and have been able to use the $250 educator expenses deduction to reclaim some of those expenses
- Taxpayers who face foreclosure and receive protection through the mortgage debt relief tax benefit. Without this provision, taxpayers may find the amount of their canceled debt is now taxable income.

Taxpayers should prepare for change

Six times in the past 11 years, Congress has extended expiring tax provisions or retroactively renewed expired tax benefits between November and January. But, there's no guarantee that will continue to happen.

"The timing of when Congress may or may not renew these tax breaks poses a challenge to taxpayers, as they don't know if their 2015 tax outcome will be similar to their 2014 return," said Pickering.

Taxpayers should prepare for the possibility Congress does not renew all of the expired tax benefits and find out which expired tax breaks they have used, and what is similar and available. While some taxpayers may be eligible to claim alternative credits, they are not identical substitutes and have unique qualifications and restrictions.

Key 2014 numbers and facts

- The expiration of the state and local sales tax deduction will impact 1 in15 taxpayers; nearly 10 million tax returns claimed $16 billion using this deduction.

- Nearly 4 million tax returns deducted mortgage insurance premiums for $5.8 billion in tax benefits.
- The educator expenses deduction for teachers totaled more than $869 million on nearly 3.5 million returns.
- On more than 1.1 million tax returns, students used the tuition and fees benefit to deduct $2.7 billion.
- The mortgage debt relief tax benefit impacted a little more than 330,000 tax returns, but delivered more than $29 billion in relief.
- Rollover distributions were on nearly 1.1 million tax returns for benefits totaling $32 billion. The charitable distribution provision allowed taxpayers to rollover IRA distributions of less than $100,000 tax-free to charitable organizations. Some confusion surrounded who could benefit from this because of the $100,000 limit, but this provision was available to all account holders required to take minimum distributions.

For help navigating delays and changes to the tax code, taxpayers may follow news from The Tax Institute at http://newsroom.hrblock.com or speak to a tax professional by calling 1-800-HRBLOCK or visiting www.hrblock.com.

About H&R Block
H&R Block, Inc. (NYSE: HRB) is the world's largest consumer tax services provider. More than 680 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2015, H&R Block had annual revenues of nearly $3.1 billion with 24.2 million tax returns prepared worldwide. Tax return preparation services are provided by professional tax preparers in approximately 12,000 company-owned and franchise retail tax offices worldwide, and through H&R Block tax software products. H&R Block also offers adjacent Tax Plus products and services. For more information, visit the H&R Block Newsroom at http://newsroom.hrblock.com/.

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Source: H&R Block