

A \$100 Advertisement for \$5 Tax Service Launches an Industry; Fifty Years Later, H&R Block Remains the Country's Largest Tax Preparer

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KANSAS CITY, Mo.--(BUSINESS WIRE)--Feb. 1, 2005--Fifty years ago, a gamble on a \$100 newspaper advertisement launched a new industry and forever changed the way Americans looked at income taxes.

The ad was placed by two brothers offering \$5 tax preparation in Kansas City. Henry and Richard Bloch weren't sure what kind of response the ad would trigger, but they certainly weren't expecting crowds of taxpayers to immediately pack their small Main Street office.

The brothers quickly learned that timing was everything. Until the mid-1950s, the Internal Revenue Service had actually filled out tax returns at no charge for anyone who went to their local IRS office. However, errors were common, and taxpayers' complaints led to the elimination of the service. The Bloch brothers' first ad appeared at the same time that Kansas Citians were discovering the IRS would no longer prepare their tax returns.

Today, H&R Block is the largest tax services provider in the United States and the sixth largest retailer in the world. The company's 12,000-plus locations worldwide have served more than 400 million clients, creating the most recognizable brand in the tax industry.

How it all began

Based on the initial success of their Kansas City office, the brothers decided to expand to New York in 1956, opening six more offices. The business was called H&R Block, changing the "h" to a "k" to make the company name easier to pronounce and spell.

Through franchising, offices quickly sprung up across the country, and by 1970, H&R Block had opened more than 4,300 offices, including locations in Canada. By 1978, one out of every nine tax returns filed in the United States had been prepared by H&R Block.

As the business boomed, one thing remained unchanged: the way the company priced its services. From the beginning, tax preparation fees were based on the complexity of the return and the number of needed schedules and forms. That pricing system is still used today.

Then and Now

Some things have changed in H&R Block's 50 years, however. For example, the 1040 Form and accompanying schedules had just 16 pages of instructions in 1955; today there are 191 pages. Taxpayers had only 14 credits and deductions to save them money on their tax bill in 1955, while today there are 74, plus an additional 25 business credits. And perhaps the biggest change of all: The 1955 taxpayer received an average refund of \$92.23. In 2004, the average refund was approximately \$2,000.

Business Firsts

To make its services even more convenient for taxpayers, H&R Block expanded into Sears stores in 1973. Last year, the company added Wal-Mart locations. And H&R Block is the only tax preparation firm to offer a combination of in-office, online and software tax products and services.

Partnering with the IRS, H&R Block helped introduce e-filing (electronic filing) in 1986. H&R Block has now electronically filed more than 140 million returns -- more than any other tax preparation company in America.

Still the largest tax preparation firm in the country, H&R Block today prepares one of every seven returns filed with the IRS.

To view an interactive timeline of H&R Block's 50 years in business, please visit www.hrblock.com/50Anniversary/

About H&R Block

H&R Block Inc. (NYSE:HRB)(www.hrblock.com) is a diversified company with subsidiaries that deliver tax services and financial advice, investment and mortgage services, and business accounting and consulting services. H&R Block empowers clients to make tax and financial decisions by providing a unique combination of tax services, financial information and advice, and related products and services. The company's mission is to help clients achieve their tax and financial objectives by serving as their tax and financial partner.

As the world's largest tax services company, in 2004 H&R Block served more than 21 million clients in the U.S. and 12 countries. H&R Block Financial Advisors Inc. offers investment services and securities products. With approximately 1,000 financial advisors serving clients at approximately 360 branch offices, H&R Block Financial Advisors Inc. is a member NYSE, SIPC, a registered broker-dealer and 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 services. Option One Mortgage Corp. provides mortgage services and offers wholesale mortgages 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.

Taxes in 1955 and Today:

- 1955 - 1st year the filing deadline was April 15. Prior to then, the deadline was March 15 or earlier

- 1955 - 16 pages of instructions for the 1040 Form and all schedules

- 2005 - 191 pages of instructions for the 1040 Form and schedules
 - Also: 2005 1040A instruction booklet is 72 pages

- 1955 - 14 credits and deductions

- 2005 - 74 credits and deductions
 - And none of the above-the-line deductions of today (IRA, student loans, moving expenses, health savings accounts) existed in 1955

- 1955 - 0 business credits

- 2005 - 25 business credits designed to stimulate growth, assist urban renewal, and encourage use of certain fuels

- 1955 - average refund was \$92.23

- 2004 - average refund was more than \$2,000

- 1955 - \$2.7 billion in Federal refunds paid

- 2003 - \$296 billion in Federal refunds paid

- 1955 - top marginal income tax rate was 91 percent

- 2005 - top marginal income tax rate is 35 percent

- 1955 - median income was \$4,914

- 2004 - median income was approximately \$65,000

MULTIMEDIA AVAILABLE:

<http://www.businesswire.com/cgi-bin/mmg.cgi?eid=4812455>

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