

Smaller Paychecks, Late Filing Await Taxpayers in January

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H&R Block Advises on Issues That Could Lead to Tax Sticker Shock

Nov 27, 2012 (Marketwire via COMTEX) --H&R Block Inc. (NYSE: HRB) -- New Year joy could quickly turn into January sticker shock for taxpayers surprised by smaller paychecks and little chance of getting [tax refunds](#) in January. The main two reasons for this are the end of the 2-percent payroll tax holiday that will make paychecks shrink and the later-than-normal first day to e-file tax returns having those expecting tax refunds waiting longer than usual for them.

"Taxpayers may be ringing in the new year with smaller paychecks and a longer wait for their tax refunds," said Kathy Pickering, executive director of The Tax Institute at [H&R Block](#). "Typically, only 2 percent of January filers don't get a tax refund. Since many of the taxpayers impacted by the delay will be those who use their refund money to pay their rent and winter utility bills, that means those who can least afford to deal with these issues will be affected the most."

Knowing what will cause the sticker shock can help taxpayers prepare to make January less taxing.

The party's over: payroll tax holiday ends Dec. 31

Taxpayers will see a 2-percent reduction on their paychecks starting in January. For example, workers earning \$40,000 (average annual income) will see about \$67 less in their monthly paychecks. This is because the Social Security payroll tax will return to its regular level of 6.2 percent, which was last applied in 2010.

"When the payroll tax holiday started, taxpayers who could afford to were encouraged to invest that extra money. For some, now might be the time to review their saving strategies," Pickering said. "It's also a great time -- before the end of the year -- to review paychecks, meet with a tax advisor and fine-tune withholdings for the new year."

Late start of tax return processing means tax refunds arrive later

A survey by The Tax Institute revealed 84 percent of taxpayers didn't know the first day to e-file is more than a week later than in previous years. The Jan. 22 start of e-filing could mean the 18 million taxpayers who usually get their tax refunds before Groundhog Day might not get them until Valentine's Day. These early-season filers tend to get refunds 30-percent larger than the \$2,700 average [tax refund](#).

The IRS recently informed Congress 60 million taxpayers could face an even longer delay if the alternative minimum tax (AMT) isn't patched for tax year 2012. The IRS said these individual taxpayers might have to wait until March to file their tax returns.

"Higher taxes and fewer tax breaks could make it hard for some taxpayers to make ends meet, especially if these changes catch them by surprise," Pickering said.

[H&R Block](#), with 4,000 offices open year-round, At Home ® online and the all-new, face-to-face web solution Block Live(SM), offers taxpayers multiple options to meet their filing obligations. Taxpayers can call 800-HRBLOCK for more information or visit www.hrblock.com to find an office near them, start their return online or log in to [Block Live](#).

About H&R Block

H&R Block, Inc. (NYSE: HRB) is the world's largest tax services provider, having prepared more than 600 million tax returns worldwide since 1955. In fiscal 2012, H&R Block had annual revenues of \$2.9 billion and prepared 25.6 million tax returns worldwide. Tax return preparation services are provided in [company-owned](#) and [franchise](#) retail tax offices by nearly 100,000 professional tax preparers, and through H&R Block At Home™ digital products. H&R Block Bank provides affordable banking products and services. For more information, visit the [H&R Block Online Press Center](#).

About The Tax Institute at H&R Block

The Tax Institute at H&R Block is the go-to source for objective insights on federal and state tax laws affecting the individual. It provides nonpartisan information and analysis on the real world implications of tax policies and proposals to policymakers, journalists, experts and tax preparers. The Institute's experts include CPAs, Enrolled Agents, attorneys and former IRS agents.

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