Open Enrollment a Time to Trim Tax Bill

November 25, 2008 12:48 PM ET

KANSAS CITY, MO, Nov 25, 2008 (MARKET WIRE via COMTEX News Network) -- Americans haggle over car prices, shop the clearance rack and clip grocery coupons. But too few manage their tax liability -- potentially one of the year's biggest bills -- ultimately missing out on money-saving opportunities. Open enrollment is a key time for taxpayers to not only select the best employer-sponsored health and retirement plans, but also to minimize their tax liability.

"Making informed benefit decisions can mean lower taxes and more cash in your wallet," said Amy McAnarney, executive director of The Tax Institute at H&R Block (NYSE: HRB). "Health insurance premiums paid pre-tax and money set aside in retirement, cafeteria and other plans, translates to reduced taxable compensation and more take-home pay."

Retirement Savings

Employer-sponsored savings plans are one of the easiest ways for taxpayers to save for retirement. 401(k)s, 403(b)s, thrift plans, SEPs, SIMPLES and Solo-401(k)s are examples of retirement savings tools for employees in the private sector, public sector, non-profit arena or for those who are self-employed. Contributions to these accounts grow tax-free, benefitting the bottom-line, and they reduce the individual's overall tax liability.

Health Care Plans

Determining the best health care plan depends on an employee's age, number of dependents, health and income level. For those who choose a high-deductible, low-premium plan, Health Savings Accounts offer a tax-advantaged option of accumulating cash to use against the deductible. There's no requirement to use the money in the year it was contributed so remaining dollars roll over to the next year. HSAs can serve as a valuable source of cash in the event of a future medical emergency.

Cafeteria Plans

Using Flexible Spending Accounts or Cafeteria/Section 125 Plans for eligible health care and out-of-pocket costs may provide taxpayers with additional tax savings. Like the HSA, a set amount is deducted each pay period and taxable compensation is reduced by that amount. Distributions may be used only for qualified medical expenses. However, unlike an HSA, any money remaining in the account is forfeited at the end of the year.

A similar plan is available for child care costs. Taxpayers can designate a specific amount for the expense, up to $5,000 a year, that's deducted pre-tax from their pay. All related child care expenses are then reimbursed from the dependent care benefit account.

H&R Block has offices open year-round to assist taxpayers with questions about tax benefits of employer-sponsored health and savings plans. To find a local office, visit hrblock.com or call 1-800-HRBLOCK.

About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generated annual revenues of $4.4 billion in fiscal year 2008. H&R Block provides income tax return preparation services and products through more than 13,000 company-owned and franchised offices, and via TaxCut(R) online and software solutions. Through the H&R Block Bank, the company provides tax clients with innovative and affordable banking services. Under the RSM McGladrey name, H&R Block offers accounting, tax and consulting services to mid-sized businesses with global reach. For more information about H&R Block, visit www.hrblock.com/press.

For Further Information:
Nancy Mays
816.854.4537
Email Contact

SOURCE: H & R Block

http://www2.marketwire.com/mw/emailprcntct?id=729AC5B4A99CEBC0