**New Housing Bill Spells Relief for First-Time Home Buyers, Non-Itemizers**

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H&R Block Tax Pros Poised to Explain Tax Implications to Homeowners

KANSAS CITY, Mo.--(BUSINESS WIRE)--July 31, 2008--President Bush signed into law Wednesday a weighty housing and economic recovery bill designed to encourage homeownership, revamp the housing finance industry and reduce foreclosures.

The Tax Institute at H&R Block reports that the legislation will have a positive impact on taxpayers by making it easier to buy a first home and deduct real property taxes even if homeowners do not itemize.

Refundable tax credit up to $7,500 available to first-time home buyers

The law provides a one-time refundable tax credit of $7,500 or 10 percent of the home's purchase price, whichever is less, for qualifying homes purchased April 9, 2008, through June 30, 2009. Income limitations apply.

A credit reduces a tax payer's bill dollar-for-dollar. However, as Jackie Perlman, a research analyst at The Tax Institute at H&R Block notes, "This is a 'recapture credit,' which must be paid back over time, so it essentially operates as an interest-free loan."

For example, a first-time home buyer who purchases a home on October 1, 2008, for $100,000, will be able to claim a $7,500 tax credit on their 2008 tax return but must repay $500 every year over 15 years starting in 2010.

Additional deductions on property taxes save tax dollars

Homeowners who take a standard deduction rather than itemize will be able to claim an additional standard deduction for real property taxes on their home. The maximum deduction is $500 ($1,000 if married filing jointly) effective for the 2008 tax year.

"This deduction can reduce the tax liability for homeowners who don't itemize," said Perlman. "For instance, a retired couple who have lived in their home for 20 years may not have enough interest on their mortgage or other deductions to justify itemizing. Now, they can still benefit by deducting their real property taxes."

The housing bill also triggered changes in the low-income housing credit for building or rehabilitating low-income homes and modifies Section 121 - exclusion of capital gains on the sale of a principal residence.

In addition, this legislation outlines new tax incentives for areas affected by Hurricanes Katrina, Rita or Wilma. If a tax payer took a casualty loss due to one of the 2005 hurricanes but later received a grant as reimbursement, they are able to amend a previous tax return to alter the year they have to claim the grant funds as taxable income.

H&R Block tax offices are open year round to assist taxpayers in understanding the new law and other tax changes that may affect them and their families. Call 1-800-HRBLOCK to find a local year-round office or log on to www.hrblock.com.

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 generating annual revenues of $4.4 billion in fiscal year 2008. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey and certain consumer financial services. For more information visit our Online Press Center at www.hrblock.com.

CONTACT: H&R Block Inc.
Media Desk, 816-854-4287
mediadesk@hrblock.com

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