

Taxpayers in 1 in 4 States Could See Smaller State Tax Refunds

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Popular Tax Breaks Extended in December Not Recognized in Some States

KANSAS CITY, MO -- (Marketwired) -- 02/18/15 -- H&R Block (NYSE: HRB), the world's largest consumer tax services provider, advises taxpayers in about one in four states are not able to use certain federal tax breaks to benefit their state returns. Although Congress extended [popular expired tax breaks](#) in December, 12 states have not passed legislation recognizing those changes on their state tax return. These popular tax breaks benefit teachers, students, homeowners and retirees, or approximately one in six taxpayers nationwide.

Most states generally conform automatically to federal tax benefits or pass legislation annually to do so. Because the federal tax benefits were extended in the middle of December, some states were not able to update state legislation before the start of tax season. These include states that tie to the federal Internal Revenue Code as of a fixed date, but tend to advance conformity yearly.

"Even though taxpayers in these dozen states may choose to wait and see if their state will recognize the federal tax benefits before they file their state return, there is no reason why they should delay filing their federal return and getting their federal refund," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "Because this does not impact the benefits taxpayers can claim on their federal return, they should get any federal refund they're owed, which so far averages about \$3,500 according to the IRS."

Taxpayers in states not tied to federal tax breaks still have options

Taxpayers in these 12 states that do not recognize the extended federal tax benefits may consider a few options when they file their state tax returns. The first is to wait to file their state return in the event that the state eventually passes conformity legislation. Although this may delay their state refund, it would prevent them from needing to file an amended return. However, in the past, some states have waited until after the April 15 filing deadline to recognize federal tax benefits. Taxpayers should consult a tax professional to learn when their state has passed this legislation in previous years.

The second option affected taxpayers have is to file their state return without the benefit of the federal tax breaks. Then, if the state passes conformity legislation, they may file an amended state return to claim their federal benefits. This would require filing an amendment, but could deliver a refund earlier than if the taxpayer waited to file.

In either case, taxpayers in these states can file a federal return and get all the tax benefits they are entitled.

These 12 states tend to pass yearly legislation to conform to federal tax breaks:

- Arizona*
- California
- Georgia
- Hawaii*
- Iowa*
- Idaho*
- Indiana
- North Carolina
- Ohio*
- Virginia*
- Wisconsin*
- West Virginia*

* These states have introduced bills to update their conformity date and will likely conform in the near future.

Federal tax benefits flow to the state return

When a state tax return begins with federal adjusted gross income, federal tax benefits that reduce income flow to the state return. However, if the state does not recognize certain federal tax benefits, taxpayers have to recalculate their state income without those benefits for the purposes of completing their state tax return. This results in higher state taxable income, which could lead to a higher state tax.

For help understanding and preparing their federal and state tax returns, taxpayers may contact a local H&R Block tax professional. To find the nearest H&R Block office, visit www.hrblock.com or call 800-HRBLOCK.

About H&R Block

H&R Block, Inc. (NYSE: HRB) is the world's largest consumer tax services provider. More than 650 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2014, H&R Block had annual revenues over \$3.0 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 Bank provides affordable banking products and services. For more information, visit the H&R Block Newsroom at <http://newsroom.hrblock.com/>.

For Further Information

Gene King

816-854-4287

[Email contact](#)

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