

## **H&R Block Announces Interim Tax Season Results; Millions of Taxpayers Yet to File As Season Draws to an End**

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KANSAS CITY, Mo.--(BUSINESS WIRE)--April 12, 2006--With millions of taxpayers yet to file their federal return, H&R Block today reported that it's seeing an increase in business as Americans begin the end-of-tax season scramble to meet this year's April 17 deadline. The company today reported a 5.4 percent increase in total clients served for the second half of March compared with the prior-year period.

"As we head into the final days of the 2006 tax season, our surveys indicate that Americans are pointing to missing documents, busy schedules and good old-fashioned procrastination for their late filing," said Mark A. Ernst, chairman and CEO of H&R Block (NYSE: HRB).

Based on IRS data, H&R Block estimates that slightly more than 30 percent of the country's taxpayers have yet to file. "This is despite our survey finding that more than 70 percent of these late filers are expecting a refund," Ernst noted.

"Especially during the last-minute rush, people tend to overlook deductions for medical expenses, out-of-pocket business expenses, and student loan interest," Ernst said. "Americans overpay more than \$1 billion every year due to commonly missed deductions, and this year, more people than ever will also be facing the complexities of the Alternative Minimum Tax. It's expected to catch nearly 4 million taxpayers, to the tune of about \$2,700 each, and yet our survey shows that over 70 percent of people aren't even familiar with it.

"Our H&R Block tax professionals have the expertise and experience to guide taxpayers through all this," Ernst said, "and we're ready to help."

Most of H&R Block's 12,000 tax offices are open from 8 a.m. to 10 p.m. through Saturday, April 15, during this last full week of tax season. Most offices also will be open Easter Sunday from 9 a.m. to 5 p.m., and Monday, April 17, from 8 a.m. to 10 p.m. Due to Patriot's Day, taxpayers in six states (Maine, Maryland, Massachusetts, New Hampshire, New York and Vermont) and Washington D.C. have until April 18 to file their tax return, and H&R Block offices in those areas will be open from 9 a.m. to 9 p.m. that day.

### **Interim Tax Season Results**

Tax preparation and related fees at H&R Block's retail operations increased 10.6 percent from March 16 to March 31.

For the period from Jan. 1 to March 31, tax preparation and related fees increased 3.7 percent to \$2.0 billion versus the same period of last year, while the average fee per client served rose 6.5 percent to \$156.18. Total clients served by the company's retail operations and digital tax solutions business was up 0.8 percent to 15.8 million.

"We served 3.4 percent more retail clients from March 16 to 31 than we did in the same period in 2005," Ernst noted. "While this year's numbers benefited from comparison to a year-ago period that included Easter weekend, the gain exceeded our expectations. It was also three times the year-over-year increase we achieved during the early part of the month.

"As our retail results grew stronger, our digital business also had another solid performance with a 17.4 percent increase in clients served versus last year," Ernst said.

H&R Block plans to release preliminary full tax season results for its U.S. tax operations before the NYSE market opening on May 10.

### **About H&R Block**

H&R Block Inc. (NYSE: HRB) is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.4 billion in fiscal year 2005 from operations in four principal business segments: tax preparation and advice via in-office, online and software solutions; investment and financial advisory services; retail

and wholesale mortgage services; and tax/accounting/business consulting services for mid-sized businesses. Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands -- H&R Block, Option One and RSM McGladrey. For more information visit our Online Press Center at [www.hrblock.com](http://www.hrblock.com).

H&R BLOCK  
Preliminary U.S. Tax Operating Data

(in thousands, except average fee and number of offices)

|                                 | January   | February  | March     |           | YTD       |             |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
|                                 | 1/1-1/31  | 2/1-2/28  | 3/1-3/15  | 3/16-3/31 | Total     | 1/1-3/31    |
| Tax preparation & related fees: |           |           |           |           |           |             |
| Fiscal year 2006                |           |           |           |           |           |             |
| Company-owned operations        | \$379,959 | \$627,020 | \$173,796 | \$181,747 | \$355,543 | \$1,362,522 |
| Franchise operations            | 191,610   | 288,406   | 70,145    | 69,535    | 139,680   | 619,696     |
|                                 | \$571,569 | \$915,426 | \$243,941 | \$251,282 | \$495,223 | \$1,982,218 |
| Fiscal year 2005(1)             |           |           |           |           |           |             |
| Company-owned operations        | \$367,294 | \$621,831 | \$160,503 | \$164,848 | \$325,351 | \$1,314,476 |
| Franchise operations            | 183,556   | 284,961   | 65,477    | 62,293    | 127,770   | 596,287     |
|                                 | \$550,850 | \$906,792 | \$225,980 | \$227,141 | \$453,121 | \$1,910,763 |
| Percent change                  |           |           |           |           |           |             |
| Company-owned operations        | 3.4%      | 0.8%      | 8.3%      | 10.3%     | 9.3%      | 3.7%        |
| Franchise operations            | 4.4%      | 1.2%      | 7.1%      | 11.6%     | 9.3%      | 3.9%        |
| Total retail operations         | 3.8%      | 1.0%      | 7.9%      | 10.6%     | 9.3%      | 3.7%        |
| Total clients served:           |           |           |           |           |           |             |
| Fiscal year 2006                |           |           |           |           |           |             |
| Company-owned operations        | 2,372     | 3,852     | 1,029     | 1,014     | 2,043     | 8,267       |
| Franchise operations            | 1,398     | 2,084     | 487       | 456       | 943       | 4,425       |
| Total retail operations         | 3,770     | 5,936     | 1,516     | 1,470     | 2,986     | 12,692      |
| Digital tax solutions(2)        | 1,143     | 1,294     | 358       | 270       | 628       | 3,065       |
|                                 | 4,913     | 7,230     | 1,874     | 1,740     | 3,614     | 15,757      |
| Fiscal year 2005(1)             |           |           |           |           |           |             |
| Company-owned operations        | 2,450     | 4,093     | 1,020     | 987       | 2,007     | 8,550       |
| Franchise operations            |           |           |           |           |           |             |

|                          |       |       |       |       |       |        |
|--------------------------|-------|-------|-------|-------|-------|--------|
| operations               | 1,403 | 2,160 | 479   | 434   | 913   | 4,476  |
|                          | ----- | ----- | ----- | ----- | ----- | -----  |
| Total retail operations  | 3,853 | 6,253 | 1,499 | 1,421 | 2,920 | 13,026 |
| Digital tax solutions(2) | 1,129 | 1,016 | 226   | 230   | 456   | 2,601  |
|                          | ----- | ----- | ----- | ----- | ----- | -----  |
|                          | 4,982 | 7,269 | 1,725 | 1,651 | 3,376 | 15,627 |
|                          | ===== | ===== | ===== | ===== | ===== | =====  |

|                            |        |       |       |       |       |       |
|----------------------------|--------|-------|-------|-------|-------|-------|
| Percent change             |        |       |       |       |       |       |
| Company-owned operations   | -3.2%  | -5.9% | 0.9%  | 2.7%  | 1.8%  | -3.3% |
| Franchise operations       | -0.4%  | -3.5% | 1.7%  | 5.1%  | 3.3%  | -1.1% |
| Total retail operations    | -2.2%  | -5.1% | 1.1%  | 3.4%  | 2.3%  | -2.6% |
| Digital tax solutions(2)   | 1.2%   | 27.4% | 58.4% | 17.4% | 37.7% | 17.8% |
| Total                      | -1.4%  | -0.5% | 8.6%  | 5.4%  | 7.0%  | 0.8%  |
| Total retail day-to-day(3) | -10.7% | 0.1%  | 7.4%  | 5.0%  | 6.2%  | -2.1% |

Average fee per client served:(4)

Fiscal year 2006

|                          |          |          |          |          |          |          |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Company-owned operations | \$160.19 | \$162.78 | \$168.90 | \$179.24 | \$174.03 | \$164.81 |
| Franchise operations     | 137.06   | 138.39   | 144.03   | 152.49   | 148.12   | 140.04   |
|                          | -----    | -----    | -----    | -----    | -----    | -----    |
|                          | \$151.61 | \$154.22 | \$160.91 | \$170.94 | \$165.85 | \$156.18 |
|                          | =====    | =====    | =====    | =====    | =====    | =====    |

Fiscal year 2005(1)

|                          |          |          |          |          |          |          |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Company-owned operations | \$149.92 | \$151.93 | \$157.36 | \$167.02 | \$162.11 | \$153.74 |
| Franchise operations     | 130.83   | 131.93   | 136.70   | 143.53   | 139.95   | 133.22   |
|                          | -----    | -----    | -----    | -----    | -----    | -----    |
|                          | \$142.97 | \$145.02 | \$150.75 | \$159.85 | \$155.18 | \$146.69 |
|                          | =====    | =====    | =====    | =====    | =====    | =====    |

|                          |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|
| Percent change           |      |      |      |      |      |      |
| Company-owned operations | 6.8% | 7.1% | 7.3% | 7.3% | 7.4% | 7.2% |
| Franchise operations     | 4.8% | 4.9% | 5.4% | 6.2% | 5.8% | 5.1% |
| Total retail operations  | 6.0% | 6.3% | 6.7% | 6.9% | 6.9% | 6.5% |

Offices:

FY 2006      FY 2005  
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|  |       |       |       |
|--|-------|-------|-------|
| Company-owned offices                    | 6,387 | 5,811 | 9.9%  |
| Company-owned shared office locations(5) | 1,473 | 1,296 | 13.7% |
|  | ----- | ----- |       |
| Total company-owned offices              | 7,860 | 7,107 | 10.6% |

|                                      | -----  | -----  |       |
|--------------------------------------|--------|--------|-------|
| Franchise offices                    | 3,703  | 3,528  | 5.0%  |
| Franchise shared office locations(5) | 602    | 526    | 14.4% |
|                                      | -----  | -----  |       |
| Total franchise offices              | 4,305  | 4,054  | 6.2%  |
|                                      | -----  | -----  |       |
|                                      | 12,165 | 11,161 | 9.0%  |
|                                      | =====  | =====  |       |

- (1) Prior year numbers have been reclassified between company-owned and franchise operations for offices which commenced company-owned operations during fiscal year 2006.
- (2) Includes federal Taxcut software units sold, online completed and paid federal returns and online state returns only when no payment was made for a federal return.
- (3) Calculated as the % difference between current year actuals and day-to-day adjusted fiscal year 2005.
- (4) Calculated as gross tax preparation and related fees divided by clients served.
- (5) Shared office locations include offices located within Wal-Mart, Sears and other third-party businesses.

CONTACT: H&R Block Inc.  
Media Relations:  
Nick Iammartino, 816-932-4835  
nick.iammartino@hrblock.com  
or  
Investor Relations:  
Scott Dudley, 816-932-8342  
scott.dudley@hrblock.com

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