

Life Changes Equal Tax Savings

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H&R Block Explains How to Take Advantage of New Credits, Deductions

KANSAS CITY, MO, Jan 20, 2010 (MARKETWIRE via COMTEX) -- Life changes can mean tax savings. From the homebuyer credit to parenthood, to higher education and buying a new car, changes in the tax code affect the complexity of the 2010 tax filing season and could mean more money in taxpayers' pockets.

Overall, the changes help taxpayers in five key areas:

1. Buying a home
2. Workers
3. Parenthood
4. Higher education
5. In the garage

Buying a home

More American homebuyers will get tax relief thanks to changes and expansions made to the homebuyer credit.

"From seniors looking to downsize, to families wanting to move, to those shopping for their first home, this credit paves the way for more people to positively impact their taxes through the benefits of homeownership," said Amy McAnarney, executive director of The Tax Institute at H&R Block.

There are two major provisions of the homebuyer credit to keep in mind.

1. There is a tax credit worth up to \$6,500 for existing homeowners in the market to move.
2. There is a new closing deadline for both first-time and repeat homeowners of April 30, 2010 -- extended from Nov. 30, 2009. Also, a special provision gives taxpayers two extra months to close if they've entered into a contract by April 30, 2010.

Workers

Millions of taxpayers, depending upon other tax breaks they may qualify for, could find themselves with a tax surprise because of the Making Work Pay tax credit unless they adjusted their withholding last year, according to analysis by The Tax Institute.

Ninety-five percent of taxpayers automatically started taking home more money in their paychecks last year thanks to a change in the IRS withholding tables, triggered by the Making Work Pay credit. Taxpayers who should take special care in understanding the implications when filing a tax return include:

- Married couples with two incomes
- Individuals with multiple incomes
- Retirees who have taxes withheld from a pension or social security benefits
- Individuals who work but who can be claimed as a dependent on someone else's tax return.

The credit, which taxpayers actually claim when filing their 2009 returns, could mean up to \$400 for individuals and \$800 for couples in 2009 and 2010. There is a phase out of the credit starting at modified adjusted gross income (MAGI) of \$75,000 for single filers and for married filers at MAGI of \$150,000. It's completely phased out at MAGI of \$95,000 for singles and \$190,000 for married filers.

Parenthood

The recovery act expands the Child Tax Credit, allowing families to begin qualifying for the credit with every dollar earned over \$3,000. For taxpayers, this change translates into a refundable credit of up to \$1,000 for each qualifying child under 17 -- even if the taxpayer has no tax liability.

The act also increases the Earned Income Credit for families with at least three or more children, where previously EIC benefits were capped at two children. The credit also would increase the beginning of the phase out for all married couples filing a joint return. That's good news for married couples regardless of the number of children they have.

Higher education

Taxpayers getting a higher education or supporting a dependent in college should be aware of several tax credits and deductions. More taxpayers will be able to qualify for the American Opportunity Tax Credit, with a new, partially refundable \$2,500 tax credit for college tuition paid in 2009. Nearly 4 million low-income students now will be able to qualify for the credit -- because the credit is partially refundable.

Also, computer and technology costs qualify under the Section 529 Education Plans, which are tax-exempt college saving plans. Previously, eligible expenses included only tuition, room and board, books, supplies and equipment that were required for attendance at the school.

"Whether you're saving for education or paying school-related expenses now, help is out there," McAnarney said. "These tax savings are available to reduce your tax liability and help cover the out-of-pocket expenses for college."

In the garage

Taxpayers may have gotten a great deal on a new car in 2009 -- especially if they took advantage of the cash for clunkers program -- and they'll want to take advantage of a sales tax deduction on their taxes.

Those who purchased a new car, motorcycle, or even motor home may be able to deduct the state and local sales and excise taxes paid on the purchase of vehicles. The vehicles must have been purchased between Feb. 17 and Dec. 31, 2009.

How to get a refund faster

With e-filing, you can get your refund in as few as two weeks. E-file is a quick, easy and smart way to file taxes -- and free at H&R Block's 11,000 offices and digital products. More than 73 million Americans took advantage of e-filing their taxes last year. It increases accuracy, saves paper and will even work if you have a balance due. E-filing began Jan. 15.

"Taxes aren't just a one-day, annual event," McAnarney said. "They are something you should think about year-round. With close to 300 tax changes last year alone, taxpayers likely will need assistance getting the maximum tax benefit."

For even more information on the key tax savings issues, check out this video.

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 who draw from years of experience and H&R Block's extensive network of resources. For more information visit our press center at <http://thetaxinstitute.com>.

About H&R Block

H&R Block Inc. (NYSE: HRB) is the world's preeminent tax services provider, having prepared more than 500 million tax returns since 1955. In fiscal 2009, H&R Block had annual revenues of \$4.1 billion and prepared more than 24 million tax returns

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