

As Rainy Days Pour Down, Tax Refunds Become Avenue to Savings

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H&R Block Supports IRS Effort to Allow Taxpayers to Purchase Savings Bonds Through Their Tax Returns
KANSAS CITY, MO, Dec 18, 2009 (MARKETWIRE via COMTEX) -- H&R Block announced today that it is supporting a new IRS initiative to enable taxpayers to allocate a portion of their tax refund toward the purchase of U.S. Savings Bonds beginning with the 2009 tax return. The Administration has turned to the IRS and the tax return with the goal of increasing the savings rate of all Americans. With the country's holiday attention soon turning to tax season, H&R Block is leading the way in educating taxpayers about this new program as a means to both create a new savings vehicle and to invest in their future.

The need for the program is compelling. Government data shows that an estimated 50 percent of all U.S. workers don't have a retirement savings plan through their employer. Of those, fewer than 10 percent have a retirement savings plan of their own. According to a recent survey conducted by The Tax Institute at H&R Block, just 15 percent of the approximately 100 million taxpayers who receive a tax refund choose to save a portion of that refund.

Therefore, in order to improve access to savings and foster more savings among taxpayers, the IRS will facilitate the purchase of Series I U.S. Savings Bonds with tax refunds. This option will be available at all of H&R Block's 13,000 offices as well as through the H&R Block At Home(TM) and Best of Both(SM) online and tax software solutions.

"H&R Block is very pleased to support the Administration's effort to promote savings for taxpayers through the tax return," said Kathryn Fulton, H&R Block senior vice president of government relations. "We look forward to launching this program during the upcoming tax season and will work closely with the IRS to ensure that the process works as smoothly as possible."

How it works

Beginning with the 2009 tax return, tax refunds can be used to purchase Series I U.S. Savings Bonds by completing the appropriate sections of the tax return. Savings bonds will be mailed to taxpayers who choose this option in denominations of \$50, \$100, \$200, \$500 and \$1,000. Bonds must be held for one year. While there is no penalty for cashing the bond after five years, if cashed out sooner, the last three months' interest will be forfeited. Bonds will accrue interest for up to 30 years, are adjusted semi-annually for inflation, and pay compound interest. The current rate is 3.36%. A feature to add co-owners to the bond will become available in 2011.

Something old is new again

The ability to use part of a tax refund in order to purchase a savings bond was part of tax returns in the 1960s. Many are lauding the return of this program.

"The reintroduction of a savings bond purchase option on the tax return ensures that taxpayers will have access to a savings instrument that is convenient and secure," said Timothy Flacke, executive director of Doorways to Dreams Fund, a non-profit organization that convened the Savings Bond Working Group (SBWG) to help bring about the policy change. "Savings bonds are well-suited for long-term saving, first-time savers, and those returning to the saving habit. In addition, we are very pleased that the IRS has announced that in 2011 taxpayers will also be able to save on behalf of other people, such as children or grandchildren."

Harvard Business School Professor Peter Tufano, who studies consumer finance and has conducted research on savings bonds and is a member of the SBWG, agreed. "Sometimes the most important determinant of whether someone saves is ready access to a credible product," Tufano said. "This new policy will allow millions of Americans to 'impulse save'; to decide in the course of getting their taxes prepared that they should put some money aside for the future."

Having prepared more than 500 million tax returns since 1955, H&R Block has seen first hand the impact a tax refund can have on the individual taxpayer.

"The tax return preparation process presents a unique, annual opportunity to focus on an individual taxpayer's financial condition," Fulton said. "It's also an opportunity for us to extend that conversation to savings opportunities, such as the new IRS savings bond program, at a time when taxpayers may be considering ways to boost their personal finances and plan for the future."

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 worldwide, utilizing more than 120,000 highly trained tax professionals. The Company provides tax return preparation services in person, online through H&R Block Online, through its H&R Block At Home(TM) software and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information visit our Online Press Center at www.hrblock.com.

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