

Are You Paying More Income Tax Than You Owe?

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Study for H&R Block Finds Tens of Millions of Taxpayers Think They Are -- And At Least Some May Be Right

Nearly one-third of U.S. taxpayers think they may be paying more income tax than they actually owe, according to a study released today.

In a nationwide survey of 1,000 taxpayers conducted by NPO Research, Inc. for tax preparation leader H&R Block, 33-percent of respondents said they either don't know, or suspect they are not taking advantage of all the deduction or tax-reducing opportunities available to them.

"The tax Code is very complicated, and people naturally feel they must be leaving money on the table," said Mark A. Ernst, president and chief executive officer of H&R Block Inc. "Unless they've looked closely, they might be right."

Ernst continued, "The millions of taxpayers who have not yet filed their taxes should consider itemizing rather than taking the standard deduction. A General Accounting Office report released in 2001 indicated that a half million taxpayers overpaid more than \$300 million by not benefiting from the mortgage interest deduction. For the millions of taxpayers who have not yet filed their taxes, Ernst says taxpayers should be aware of some of the more commonly overlooked tax deductions that can save them money. These include:

- Home Mortgage Interest -- Interest you pay on your home mortgage, a home equity loan or a refinanced home loan is usually deductible. Points paid to acquire or refinance a home may be deductible as well.
- Deductible Traditional IRA -- Individuals can deduct up to \$2,000 of contributions to a traditional IRA, if they qualify.
- Charitable Contributions -- Donations to qualified charitable organizations -- particularly relevant since Sept. 11 -- are deductible subject to various limitations. (For more information regarding contributions, check the H&R Block Web site, hrblock.com.)
- State and Local Taxes -- Many taxpayers forget to deduct the amount of state and local taxes withheld from their pay or paid in as estimated payments. Also, a 2000 state tax balance due paid in 2001 also is deductible on your 2001 tax return.
- Student Loan Interest -- Up to \$2,500 of student loan interest paid each year during the first 60 months of repayment may be deductible. (Please Note: student loan interest is deductible even if you don't itemize.)

"Fortunately, through the use of computers, tax professionals and advance planning, it is becoming much easier to take full advantage of available tax breaks," Ernst said.

The telephone survey was conducted March 13-14, 2002, by NFO Research Inc. Survey results can vary plus or minus 3 percentage points.

About H&R Block

H&R Block Inc. (NYSE: HRB) is a diversified company with subsidiaries providing a wide range of financial services and products. In 2001, H&R Block served 19.2 million taxpayers -- more than any tax or accounting firm -- through its more than 10,400 offices located in the United States, Canada, Australia, and the United Kingdom. H&R Block served another 2.3 million tax clients through its award-winning TaxCut(R) software program and its online tax preparation services. Investment services and securities products are offered through H&R Block Financial Advisors, Inc., member NYSE, SIPC. H&R Block, Inc. is not a registered broker-dealer. H&R Block Mortgage Corporation and Option One Mortgage Corporation offer a wide range of home mortgage products. RSM McGladrey, Inc. is a national accounting, tax and consulting firm with more than 100 offices nationwide, as well as an affiliation with 550 offices in 75 countries as the U.S. member of RSM International. Additional information is available on the company's Web site at www.hrblock.com.

SOURCE H&R Block Inc.

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