

## Take Healthy, Wealthy, Wise Actions Now to Decrease 2010 Tax Bill

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KANSAS CITY, MO, Dec 06, 2010 (MARKETWIRE via COMTEX) -- With uncertainty looming around the alternative minimum tax patch and the Bush tax cuts scheduled to expire Dec. 31, many taxpayers wonder if their paychecks will be smaller next year. To help taxpayers ease the possible pinch, H&R Block suggests actions to take before year-end.

"Lawmakers will be the ones making tax law decisions, but taxpayers can't afford to ignore opportunities to save on their tax bill and make positive changes before Jan. 1 to improve their overall financial health," said Kathy Pickering, executive director of The Tax Institute at H&R Block.

Taxpayers can take these healthy, wealthy and wise actions now to potentially decrease their 2010 tax bill.

### Healthy actions

Use health savings and flexible spending accounts as prescribed

Taxpayers with health savings accounts, even though the money in them rolls over into the new plan year, have a last-minute opportunity to use money in the account to stock up on over-the-counter drugs. Starting in 2011, these funds no longer can be used to buy over-the-counter drugs (with the exception of insulin) without a prescription, which also is a change that applies to flexible spending accounts.

Taxpayers with flexible savings accounts should spend all the money in these accounts before Jan. 1, 2011 (before March 31, 2011 if the plan provides a grace period) or be subject to the "use it or lose it" provision.

### Wealthy actions

Review income, deductions

Taxpayers with a large net capital gain in 2010 could reduce their tax liability by selling stock that will generate a loss before Dec. 31. Without legislative action, short-term capital gains could be taxed as much as 35 percent in 2011.

Maximize retirement plan contributions

Taxpayers who have not contributed the maximum to their 401(k) may consider increasing contributions for the remainder of the year; contributions are made pre-tax, which reduces taxable income and potentially the overall tax bill.

Max-out IRA contributions

Taxpayers eligible to deduct IRA contributions can make traditional IRA contributions to decrease 2010 income until April 18, 2011, and thus reduce tax liability on 2010 tax returns.

Consider converting to a Roth IRA

Convert traditional IRAs to Roth IRAs by Dec. 31 and pay half the taxes on the resulting income when filing the 2011 return and the other half when filing the 2012 return. Unless taxpayers elect otherwise, they will recognize the income in two installments.

### Wise actions

Get early access to W-2s

Use H&R Block's free W-2 Early Access service to get access to W-2s before the Feb. 1 distribution deadline. Approximately 70 million taxpayers whose employers are among the 185,000 companies participating can file their tax returns sooner and get refunds up to three weeks faster using this service. The new e-mail notification feature notifies the clients or tax professionals (if the

client selects to have information sent directly to an H&R Block tax office) when W-2s are ready to download.

#### Claim homebuyer credits now

For eligible 2010 purchases, the homebuyer tax credit can be claimed on 2009 or 2010 tax returns. This gives taxpayers the option of filing an amended tax return now for the 2009 tax year and receiving their money earlier than waiting to claim the credit on their 2010 tax return when filing in 2011.

#### Make smart higher education payment decisions

Those who haven't taken full advantage of the American Opportunity Credit should consider paying spring college tuition before Dec. 31 to benefit from the tax break on their 2010 returns. Also, taxpayers expecting a pay raise in 2011 may want to pre-pay their tuition if they anticipate their new income level phasing out their eligibility for education credits.

#### Go green

Home energy-efficiency improvements are eligible for a tax credit of 30 percent of the cost, with a maximum of \$1,500 claimed for 2009 and 2010 combined. This includes external windows and doors, insulation, roofing, HVAC and non-solar water heaters meeting specific energy guidelines.

#### Buy a hybrid

The Hybrid Vehicle Credit for buying a gasoline/electric hybrid or qualifying clean diesel vehicle may be more than \$2,000, depending on the vehicle.

For more information about last-minute ways to improve tax outlook, contact a local H&R Block tax professional. To find the nearest year-round H&R Block office, visit [www.hrblock.com](http://www.hrblock.com) or call 800-HRBLOCK. More than 4,000 H&R Block offices are open year-round.

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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>.

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#### For Further Information

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