

H&R Block Advises Prepare Now for Taxageddon, Don't Fall Off Fiscal Cliff

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AMT, Expired Tax Breaks Impact Taxpayers of All Income Levels

Nov 01, 2012 (Marketwire via COMTEX) -- H&R Block (NYSE: HRB) - Whether it is called "Taxageddon" or the "fiscal cliff," millions of taxpayers at all income levels are at risk of paying more in taxes this year. For some, this could mean owing money to the IRS instead of getting a tax refund as they have previously.

"The risks for individuals this year are that the alternative minimum tax (AMT) could revert to pre-2001 levels and many common tax breaks millions rely on may not be available. Taxpayers soon could find themselves in difficult financial positions," said Kathy Pickering, executive director of The Tax Institute at [H&R Block](#). "Because the extension of these tax breaks requires action by Congress and the President, there isn't much taxpayers can do to avoid this situation. However, they should be aware of what tax breaks may and may not be available for 2012 in order to plan for their impact."

34 million could owe additional tax if AMT not raised for 2012 income levels

Unless there is legislative action, 34 million taxpayers could be hit with the [alternative minimum tax](#) -- many for the first time. This could mean that in just two months, taxpayers who had grown accustomed to getting a tax refund could be hit with a hefty tax bill.

Whether or not the AMT will be patched for inflation (the last patch expired Dec. 31, 2011) is one of the biggest unknowns facing taxpayers, yet many aren't aware of its impact on their tax liability.

"The AMT is complex. It can affect taxpayers for different reasons and it is not always clear when or if it will apply," Pickering said. "AMT may kick in because of the taxpayer's income, certain deductions, or even because the taxpayer claimed certain credits."

According to analysis by The Tax Institute, if the AMT is not patched, a family earning \$85,000 with two children in college could go from a tax refund of \$1,056 tax refund to owing \$1,400.

Additional analysis found that taxpayers in high-income tax states -- California, New York and New Jersey -- would be most affected by the AMT if it is not fixed by Congress before the end of 2012.

Expired common tax breaks could hit middle class families with additional \$4,000 tax burden

2012 tax bills will be larger for millions of taxpayers since more than 70 tax provisions expired Dec. 31, 2011, and have not been renewed. These tax breaks impact all income levels and touch [college](#) students, teachers and homeowners. Following are some of the more popular expired tax breaks:

- Tuition and fees deduction - worth up to \$4,000 per college student
- State and local sales tax itemized deduction - most impacting the millions of taxpayers who may reside in states with no income tax
- Educator expense deduction - worth up to \$250 per teacher to help cover unreimbursed classroom expenses
- Mortgage insurance premium - deductible as residence interest
- Charitable distributions from IRAs - non-taxable up to \$100,000

"Fewer tax breaks mean fewer opportunities to reduce tax liability. Taxpayers need to know they might not be able to claim the same tax credits and deductions they did last year -- even if they still meet the qualifications -- because that tax break might no longer exist," Pickering said.

These Taxageddon issues may be difficult to control in the coming months, but changing the past may be an option for some. Taxpayers who think they could be eligible for tax breaks they didn't claim on their last three years' returns could benefit from H&R Block's free [Second Look@ review](#) to ensure they received the maximum refund possible. This offer is good at participating offices through Dec. 31 for the review of 2009, 2010 and 2011 income tax returns not prepared by H&R Block. New this year,

taxpayers can get a Second Look from the comfort of their own homes with the secure, video conferencing tool Block Live(SM).

[H&R Block](#), with 4,000 offices open year-round, At Home® online and the all-new, face-to-face web solution Block Live(SM), offers taxpayers multiple options to meet their filing obligations. Taxpayers can call 800-HRBLOCK for more information or visit www.hrblock.com to find an office near them, start their return online or log in to [Block Live](#).

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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.

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