

Devilish Details Can Work for You When It Comes to Taxes; Remember These 10 Tax Tips To Save Money On April 15

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KANSAS CITY, Mo.--(BUSINESS WIRE)--March 21, 2005--H&R Block (NYSE: HRB) is reminding taxpayers that there's still time to take advantage of key tax tips in order to save money this year. By focusing on the tax code's details -- including deductions that are new or set to expire -- taxpayers at all income levels can reap potentially big financial savings.

Here's H&R Block's rundown of the top 10 tips that can help you keep more cash on April 15:

- Sales Tax Deduction: New for this year, taxpayers who paid more in state and local sales tax than they did in state income tax in 2004 can choose to deduct the sales tax instead of the state income tax. That's a big win for taxpayers living in the eight states without state income tax. It's also a bonus for those who purchased certain big-ticket items -- such as an automobile, boat or home building supplies -- so track down those receipts and start crunching numbers. The Internal Revenue Service website (irs.gov) provides tables that can help you calculate whether it makes more sense to deduct your state income tax or sales tax, even if you didn't keep all your receipts. The deduction will also be in effect through tax year 2005, so it might be a good time to start keeping receipts and to trade in those wheels for something new!
- SUV Purchase: If you're one of millions of Americans who purchased a sports utility vehicle (or any vehicle over 6,000 pounds) before October 23, 2004, and you use it at least half the time solely for business purposes, you can write-off as much as \$102,000 on your 2004 return. But be advised: this deduction is limited to \$25,000 for vehicles over 6,000 pounds that were placed in service after October 22, 2004.
- AMT: Those who've been walloped in the past with the dreaded alternative minimum tax (AMT) because they exercised stock options can get a credit for the additional tax if and when they sell the stock. However, this credit can only be claimed in a year when the individual is not subject to the AMT. Sound complicated? Nothing is easy when it comes to AMT, however, seeing a tax professional will help with how to handle AMT now and in the future. Or, if you believe you might be subject to AMT, check out the AMT Estimator calculator on www.hrblock.com.
- Refinancing: Unlike an original mortgage, you can't write off all the points paid in connection with refinancing in a single year. But you can amortize the expense by dividing the dollar amount of the points paid by the number of years in your mortgage, then deducting that amount annually until you own the property. If you sell your home before you've repaid the mortgage, you can write off all the remaining unamortized points cost.
- Home Equity Loans: Regardless of what the money is used for, you can deduct all the interest on a home-equity loan of up to \$100,000. But when figuring the AMT, you can claim a deduction only for loans used for home improvement.
- Stock for College: When it comes to financing your child's college education, don't sell stock to pay for it. A far better route is to give your child the stock and then have them sell it. He or she will be taxed at just 5 percent versus

the 15 percent you're likely to pay. But there is one catch: You must have owned the stock for more than one year. Keep in mind that both you and your spouse can gift as much as \$11,000 each per year to your child tax-free. After that, you should pay the balance of the child's educational expenses directly to the school.

- **Worthless Investments:** If you own stock or bonds in a company that has stopped doing business and has no intention of restarting operations, (merely filing for Chapter 11 doesn't necessarily render an investment worthless) you can deduct your cost basis in the stock or bond. If, however, you owned the investment in a tax-deferred account like an IRA or 401(k), the loss is not deductible.
- **Home Office Deduction:** You may be able to claim a portion of your home as a home office if it's used exclusively and regularly for business. And don't forget the portion of the utilities such as electric and gas. Occasional or incidental use is not sufficient for claiming the home office deduction, however. Nor is working a couple of days a week from home because you begged and your boss grudgingly said 'oh, ok.'
- **Extensions:** There are many myths about requesting an extension to file your tax return. The most common is that an extension to file is an extension to pay. It is not. If you file an extension, you must first estimate your total tax liability for 2004 using the information available to you, e.g. wages, capital gains, etc. Make your estimate as accurate as possible. You must then submit payment for your balance due by April 15 or you'll be hit with penalties and interest (although the penalties will be lower if you file an extension than if you do not).
- **Avoiding an Audit:** Two common mistakes are often red flags that can trigger IRS contact: Failure to sign the return and including an incorrect Social Security number. Therefore, triple-check the return. Better yet, e-file too. It's quicker and you'll be notified by the IRS of some errors within 24-to-48 hours. This gives you the opportunity to correct the mistake and resubmit. Statistics show that e-filed returns are 99 percent accurate vs. 81 percent for paper returns.

The devil may be in the details when it comes to the tax code, but so too are the savings. If you're one of many who simply can't find the time to keep up with the latest tax code changes, remember that a trained H&R tax professional is always ready to help with information that can save you money and time.

If, on the other hand, you're a do-it-yourselfer who welcomes the challenge of deciphering the tax code, visit hrblock.com to take advantage of a wide range of free online information and advice.

Either way, make sure you're familiar with all available deductions and options so you don't pay Uncle Sam more than you should this year.

Please note: A condensed version of Tax Tips That Save Money is below; jpeg and pdf versions also available through H&R Block.

About H&R Block Inc.

Celebrating its 50th anniversary in 2005, H&R Block is the world's largest tax services provider, having served more than 400 million clients since 1955. The sixth largest retailer in the world, H&R Block has more than 12,000 locations serving taxpayers primarily in the United States, Canada and Australia.

For more information about the company, visit our Online Press Center at www.hrblock.com/presscenter.

Top Ten New "Tax" Year Resolutions You Can Actually Keep

You've just finished your year-end planning for your 2004 tax return. Now it's time to give some thought to the twelve months ahead. What are the most important steps you can take in 2005 to improve your financial health and shed unwanted tax liabilities? H&R Block has created a Top Ten list of New "Tax" Year Resolutions to help you get in shape financially -- and stay that way.

1. I will take charge of my finances - I will take control of my

financial future by developing a detailed understanding of my

income and expenses and by establishing clear financial goals.

2. I will keep better records - When receipts get lost, it's easy to

miss out on deductions for charitable contributions, medical and educational expenses and business costs. Take a minute to develop a simple, fail-safe method for hanging onto those annoying little slips of paper.

3. I will save for retirement - Start now. It gets here sooner than

you think. Not only will you be protecting your future, but you'll

enjoy tax benefits today.

4. I will review my W-4 Withholding - Fine-tuning your payroll

deduction gives you the opportunity to increase cash flow, reduce year-end tax liability or boost your refund. Think about your financial requirements and objectives and take command of your paycheck.

5. I will file my taxes electronically - Whether you do it yourself or

rely on H&R Block's tax professionals, filing electronically cuts tax preparation time, speeds your refund and lessens the likelihood of an error. With do-it-yourself options like Hrblock.com and TaxCut(R) software, you can take advantage of built-in questions, check-lists and safeguards, and even have your return reviewed by a tax professional.

6. I will know my tax rights - Because the IRS will allow taxpayers to

amend returns filed in any of the prior three years, consider taking the free Double-Check Challenge: An H&R Block tax professional will check your past three tax returns to ensure that no deductions or credits were overlooked, the right filing status was claimed and the tax calculated correctly.

7. I will purchase a home - Buying a home can be one of the most

positive and far-reaching financial decisions you will make. Not only are you building equity in an asset that typically increases in value, but you'll reap a number of benefits and deductions at tax time.

8. I will start saving for my child's education - In 15 to 20 years,

it will take an estimated \$170,000 to \$230,000 to finance your child's college tuition and living expenses, depending on the type of school they choose to attend. So get started now. There are a wide range of college savings plans out there, and even a small regular contribution will grow and compound dramatically over time.

9. I will claim my education credits for classes - The federal

government has created several important credits and deductions

designed to help defray the cost of higher education. Talk to a

financial professional about how these options might help you.

10. I will deduct my student loan interest - Provided you fall within

certain income guidelines, the IRS allows you to deduct the interest paid on any loan used exclusively to pay for education expenses (including room and board) for yourself, your spouse or a dependent.

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