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February 20, 2014

H&R Block study highlights last year's most common miscues

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Teens, Money and Stress
 Despite financial anxiety, America's teens turn to the wisdom of parents and future promises of college.

- Teens listen to their parents: 3 in 4 turn to their parents for financial information; 62% say their parents are good financial role models.
- Teens head to college, worry about debt: 97% plan on attending college, but...; 78% worry about borrowing too much in student loans.
- Teens worry about their financial future: 8 in 10 are concerned about finding a good job as an adult; 58% worry about being worse off financially than their parents.
- Teens don't budget today for a brighter tomorrow: 57% make no budget; 17% but only monthly or bi-monthly.

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One billion dollars. That's how much taxpayers who prepare their own tax returns could be leaving on the table. A recent [H&R Block](#) (NYSE: HRB) [Second Look@ review study](#) revealed that when taxpayers prepare their own tax returns, about 1 in 5 of them left money on the table.

The study found that some of the most common inaccuracies affected a variety of taxpayers including small-business owners and students. The study found taxpayers leave money on the table due to the following, among other things:

- Not itemizing when they should or not itemizing all they could
- Not claiming higher education credits when they are appropriate or claiming the wrong tax break
- Not claiming all appropriate expenses to offset income on Schedule C or failing to claim income properly on Schedule C.

"The tax return is the biggest financial event many people have every year and missing out on money that they qualify for is a problem," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "People are leaving money on the table likely because they don't know what tax credits and deductions they qualify to claim. The good news is that with some professional guidance, they can get their money back."

Itemizing could be key to unlocking additional refund

Taking the [standard deduction](#) should not be a standard response, say H&R Block tax experts. Nearly one-third of all taxpayers claim itemized deductions. Perhaps millions more should. For those who do itemize, often they are missing all they could claim.

"Many taxpayers may automatically claim the standard deduction because it's just the easy thing to do. Sometimes it really does pay to take the time to calculate all of your potential itemized deductions," Pickering said.

The standard deduction is \$6,100 for single filers and \$12,200 for those married filing jointly. To see if a taxpayer can exceed the thresholds, all it takes is a calculator and receipts for expenses, including:



- Mortgage interest and real estate taxes
- Unreimbursed medical expenses
- Unreimbursed job expenses
- Uninsured casualty losses from fires, natural disasters or theft
- Charitable contributions
- Unreimbursed miscellaneous expenses.



For those in a state with no income tax, the ability to deduct state and local sales tax also is one of the most common overlooked deductions.

Tax breaks for higher education costs often missed by taxpayers

There are more than 18 million people in college, but only two-thirds are claiming one of the higher education tax breaks. These higher education tax breaks, such as the [American Opportunity Credit and Lifetime Learning Credit](#), can help parents and students manage the costs of education and boost tax refunds, but they are frequently overlooked. Also, the tuition and fees deduction helps reduce taxable income by up to \$4,000.

Schedule C inaccuracies cost taxpayers who file or should file business returns

With one-third of the national workforce identifying as freelancers, many people don't realize they could file a Schedule C, which is how sole proprietors [report business losses and profits](#). An advantage of operating a business is that expenses can directly offset income, which means an eligible freelancer can show a loss and deduct ordinary and necessary expenses.

"Because Schedule C returns have one of the highest audit risks, small-business owners need to document all their income and expenses to ensure they file an accurate tax return. Some taxpayers may not even realize their side jobs rise to the level of the IRS considering it to be a business," Pickering said. "For many, tax concerns related to their business can be confusing and they might find it useful to consult a tax professional."

Taxpayers who think there could be inaccuracies on their previous 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 for the review of 2010, 2011 and 2012 income tax returns not prepared by H&R Block. For more information about filing tax returns now or for tax tips all year long, visit www.hrblock.com or call 800-HRBLOCK.

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About H&R Block

H&R Block, Inc. (NYSE: [HRB](#)) is the world's largest consumer tax services provider. More than 625 million tax returns have been prepared worldwide by and through H&R Block since 1955. In fiscal 2013, H&R Block had annual revenues of \$2.9 billion with 25.4 million tax returns prepared worldwide. Tax return preparation services are provided in [company-owned](#) and [franchise](#) retail tax offices by over 80,000 professional tax preparers and associates worldwide, and through H&R Block [digital products](#). H&R Block Bank provides affordable banking products and services. For more information, visit the [H&R Block Newsroom](#).

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