



Ipsos Public Affairs

## **Poll of American Taxpayers Points to Poor Understanding of Laws that Could Affect Their Liability**

***Few Take Their Taxes into Account When Facing Major Milestones; Many Do Not Realize the Impact These Events Can Have on Their Returns***



**H&R BLOCK®**



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## **Poll of American Taxpayers Points to Poor Understanding of Laws that Could Affect Their Liability**

### ***Few Take Their Taxes into Account When Facing Major Milestones; Many Do Not Realize the Impact These Events Can Have on Their Returns***

**New York, NY** – Looking ahead to tax season, 87% of U.S. adults plan to file 2009 income tax returns, and majorities of them intend to enlist professional help, either from a tax preparer (33%) or from a CPA (24%), according to a new study conducted by Ipsos Public Affairs on behalf of H&R Block. An additional 15% will solicit the help of a family or member or friend. Only one quarter plan to do it themselves, either online (13%) or using computer software (11%).

- Those who are 35 and older are more likely than younger adults to seek the help of a professional (62% vs. 45%). On the other hand, they are far less likely than their younger counterparts to rely on the help of family or friends (9% vs. 28%).

### ***Confusion extends across a number of tax-related issues...***

Perhaps it is wise that many plan to seek professional help with their tax returns as many may be unaware of or confused about some tax laws that may benefit them.

#### ***...Job search related deductions...***

While a number of job search-related expenses are eligible for deductions, many filers are unaware of them. Roughly a third know that expenses such as gas mileage (37%) and moving costs (34%) can be deducted, fewer are aware that résumé help (17%) or wardrobe purchases (17%) are also eligible. Fully 40% do not believe *any* of these expenses can be deducted as a job search expense, suggesting that many filers are not taking advantage of these deductions.

#### ***...Taxation of unemployment benefits...***

Despite record unemployment rates, many taxpayers are still unsure as to how receiving unemployment benefits may impact their tax return. While the government does count unemployment benefits as taxable income, nearly one third (30%) believe that people do not owe taxes on income from unemployment benefits. This actually marks an increase compared since March, when 23% of filers said that unemployment benefits were not taxable income.

A third of filers (32%) believe that those collecting unemployment owe taxes based on the full amount, down slightly from 37% in the spring.



Just over a quarter of filers (27%) understand that taxes are owed on unemployment benefits only after a certain amount. More filers are knowledgeable about this regulation now than were back in the spring, when just 20% said that taxes are owed after a given amount.

- Taxpayers aged 18 to 35 are more likely than those who are older to be aware of this policy (35% vs. 24%).

One in ten are unsure about the regulations on unemployment benefits, down from 20% in March.

### **...401K losses...**

Six in ten filers (61%) do not believe it is possible to deduct a loss in the balance of a 401(k) plan from their taxes. Roughly one in six taxpayers (17%) believes that they can claim this deduction while 22% are unsure.

*These are some of the findings of an Ipsos poll conducted December 10-13, 2009. For the survey, a nationally representative sample of 1,002 randomly-selected adults aged 18 and over residing in the U.S. was interviewed by telephone via Ipsos' U.S. Telephone Express omnibus. With a sample of this size, the results are considered accurate within  $\pm 3.1$  percentage points, 19 times out of 20, of what they would have been had the entire population of adults in the U.S. been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population, such as those who plan to file their 2009 tax returns (898 respondents). These data were weighted to ensure the sample's regional and age/gender composition reflects that of the actual U.S. population according to data from the U.S. Census Bureau.*

### ***Few Think about Taxes before Major Purchases of Life Milestones***

A majority of filers (56%) select the loss of a job as the life event that has the most impact on one's taxes, ahead of having kids (22%), getting married (9%) and getting divorced (8%). An additional 5% are unsure as to which milestone would have the greatest effect on one's taxes.

- Majorities across demographic groups – with the exceptions of retirees (47%) and unmarried taxpayers (46%) – say that losing your job would impact one's taxes the most.

However, though many things will have an impact on one's tax liability, majorities of taxpayers are not taking their taxes into account when making big purchases or dealing with significant life events. Just 30% say that they take taxes into account when thinking about a big ticket purchase such as a home, a car or major home improvements. Roughly two in ten say that they would think about their taxes around tax time (24%), after losing a job (22%), when estate planning (22%), with the addition of a child or dependent (21%), when getting married or divorced (20%), or when changing jobs (18%). However, 40% say that they do not take their taxes into account for *any* of these reasons or occasions – even during tax season.

- Over a third of adults across demographic groups report that they do not take their taxes into account for any of these reasons.



Similarly, many filers are not thinking about updating their W-4, as few report recently making any changes this important tax form. Only 23% of employed taxpayers say that they have made changes to theirs in the last year and one third (36%) say it has been between one and five years. Over one quarter (27%) say it's been over five years since their last adjustment. Furthermore, one in ten (8%) are unsure as to what a W-4 is and 7% cannot recall the last time they made changes to their W-4.

- Despite the economic crisis and high unemployment rates, these proportions have changed little since last March.

### ***Practical Use of Tax Refunds***

U.S. taxpayers are planning on spending their 2009 refund money much like they planned to spend their 2008 refunds – in a very practical manner, for most of them. Though three in ten (29%) do not expect to receive a refund next year, a plurality intend to use tax refund money to pay off debt (31%). In a survey conducted in March, a similar proportion (36%) said that they intended to put their 2008 refunds toward paying off debt. One in five (20%) intend to save their 2009 income tax refunds, also comparable to the proportion of those who intended to save their 2008 income tax refunds (18%).

- Those under 35 are nearly twice as likely as those who are older to say that they plan to save their 2009 tax refunds next year (29% vs. 17%).

One in ten 2009 tax filers (10%) plan to purchase necessities (vs. 12% who planned to do so with their 2008 tax refunds) while 4% will use it to splurge on purchases such as a vacation or jewelry (unchanged). Few (4%) intend to invest their refund (3% of intentions for 2008 tax refunds).

Most taxpayers plan to file their 2009 returns early, perhaps with the hopes of receiving their refunds sooner. Over half of filers (53%) intend to submit their returns in the first two months of 2010. Two in ten (22%) plan to file in March and 17% say that they will not file until April. Just 3% intend to ask for an extension.

If another stimulus were to pass in 2010, exactly half of the taxpayers surveyed (50%) say that they would rather get one check in the mail while 27% would like to see the money added to their paychecks each pay period and 17% would prefer to receive a credit on their tax return.

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***For more information on this news release, please contact:***

***Nicolas Boyon  
Senior Vice President  
Ipsos Public Affairs  
646.364.7583***



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