



prepared for:

TIMOTHY BIANCO**MAGGIE BIANCO**

date prepared:

05/04/2004

prepared by:

IMA PROFESSIONAL

H&R BLOCK
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KANSAS CITY, MO 64111-0000
(816)753-6900

for year-round service:

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Today's Savings

- Taking advantage of the Saver's Credit this year saved you \$300 in taxes.
- Claiming the child tax credit for you this year helped you reduce your federal taxes by \$600.
- Claiming the dependent care credit for you this year helped you reduce your federal taxes by \$228.
- By participating in a qualified retirement plan through your employer, we calculated that you saved \$450 in taxes this year because you funded the plan with pretax dollars.
- We compared your education tax options, including two credits, two deductions, and several types of tax-free payments, and we were able to reduce your taxes by \$1,230. Be sure to keep track of all your expenses, including student loan interest, for 2004.
- In simple terms, the Marginal Tax Rate is the highest percentage of tax that you pay on any dollar of taxable income. As income rises, the tax rates get higher. The Effective Tax Rate is the percentage of your total income that you paid in taxes. For 2003, your Marginal Tax Rate is 15% and your Effective Tax Rate is 2%.
- Your net tax savings is \$2,808, which is a combined value of the savings amounts we've identified for you above.

Filing, Refund and Balance Due Information

Tax Return	e- file / Mail To	Refund / (Balance Due)	Summary	
Federal	Your federal return has been e- filed.	\$2,949.00	Refund/(Bal Due)	\$2,949.00
			H&R Block Fees	\$105.00

Looking Ahead - Opportunities and Advice

■ Getting Money Quickly:

A Refund Anticipation Loan (RAL) is certainly one of the fastest ways to get the amount of your anticipated refund. But as you know, the lending bank charges you for this service. And you must repay the loan in full even if the IRS doesn't approve your refund. Remember, you can get your refund in approximately 10-14 days and avoid the bank fee just by filing electronically and requesting direct deposit. That way, you can put more of your refund in your pocket.

■ IRA Rollover:

When you leave an employer, it's important to preserve the retirement savings you accumulated while employed there. Check with your former employer to find out whether you'll have to take a mandatory withdrawal by a certain date. If so, you'll need to roll over those funds into a new retirement or IRA plan to avoid paying taxes and penalties to the IRS. Your tax pro can help you handle this.

■ Medical Savings:

Newly approved Health Savings Accounts (HSAs) allow individuals to set aside money to pay medical expenses that aren't covered by insurance. Your contributions are tax deductible and earnings grow tax-deferred. Here's the really great part: withdrawals used to pay for qualified medical expenses are tax-free! To be eligible, you must have a qualifying high-deductible insurance plan and generally have no other health coverage. Ask your tax professional for more information.

■ Moving Employer Retirement Plan Proceeds into a Roth IRA:

If you want to transfer retirement plan proceeds from a previous employer to a Roth IRA, you must first roll the proceeds into a traditional IRA. You can then convert the traditional IRA to a Roth IRA. Your income on the Roth conversion is taxable just as any other traditional IRA distribution would be. However, income from the conversion is not subject to the penalty on early distributions.

■ Protect Your Loved Ones:

A will can help ensure that your wishes about the care of your child and how your assets should be divided are followed after your death. Without a will, the state of Missouri will decide for you. Lawyers can prepare a will or you can draft your own. If you do it yourself, we recommend having a lawyer review it.

■ Roth IRA Contributions:

Consider opening a Roth IRA. You can contribute up to \$3,000 each year. Unlike a traditional IRA, contributions aren't deductible, but you can withdraw your contributions at any time without paying taxes or penalties (although the earnings will be taxed). And after five years, you can withdraw your earnings -- free from taxes and penalties -- if you use the money to buy a first home or you're over 59 1/2.

■ Applying for student financial aid?

Most programs require you to complete the FAFSA form, so this should be your first step. To qualify for financial aid, students must be a U.S. citizen or eligible noncitizen and have a high school diploma or equivalent. You'll find the application, instructions and other information online at www.fafsa.ed.gov.

■ Saving for Education:

Education Savings Accounts (ESAs) allow you to save for elementary, secondary, or post-secondary education expenses. Section 529 plans, on the other hand, can only be used to pay higher education costs. But they can offer immediate state tax savings. Both plans allow tax-free withdrawals for qualified education expenses and can be started for as little as \$25 a month. Ask your tax professional for more information.

An H&R Block Tax Professional is available year-round to provide you with information about these opportunities.

For more information about tax, mortgage and financial services call 1-800-HRBLOCK or visit hrblock.com.

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Looking Ahead - Occupation Advice

Timothy, you've told us that your occupation is Machine Operator. Here are some things you should consider that might help you save on your taxes and plan your finances.

- To be deductible, business-related expenses must meet certain tests. They must be ineligible for reimbursement under your employer's plan, you must itemize the deductions, and the expenses must exceed 2% of your adjusted gross income (AGI). For tax year 2003, 2% of your AGI was \$ 991.
- You may be able to deduct the cost of supplies or equipment you buy to use at work, such as:
 - Safety equipment such as goggles, earplugs or steel-toed boots
 - Tools and calculators
- Union dues are fully deductible if the payments are specifically for dues and initiation fees. However, union dues that are contributions to pension funds or the payment of benefits for sickness, accident or death are not deductible.
- Here are some basic rules for deducting uniform expenses: The uniform must be required, you must purchase or lease it and it must not be suitable for wear away from work. If your uniform qualifies, you can deduct cleaning and repair costs along with the cost of the uniform itself.
- When education is required by or benefits your employer, certain expenses may be deductible.
 - Skills-improvement education, such as training in CNC (computer numerically controlled) operations, cutting machines, blue-prints and written specification interpretation
 - Cost of books, tuition and some transportation
- You can deduct the mileage you drive between jobs and job sites, and for business-related errands. However, the mileage of your commute between home and work is **not** deductible.
- If you get hurt on the job, take comfort in the fact that Worker's Compensation isn't taxable. Disability payments, however, may be nontaxable (if you pay the premiums), fully taxable (if your employer pays the premiums), or partly taxable (if you pay part and your employer pays the rest) depending on whether the premiums are paid with pre-tax or after-tax dollars.

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Looking Ahead - Occupation Advice

Maggie, you've told us that your occupation is Stock Broker. Here are some things you should consider that might help you save on your taxes and plan your finances.

- To be deductible, business-related expenses must meet certain tests. They must be ineligible for reimbursement under your employer's plan, you must itemize the deductions, and the expenses must exceed 2% of your adjusted gross income (AGI). For tax year 2003, 2% of your AGI was \$ 991.
- You may be able to deduct the expense of professional activities such as:
 - The cost of obtaining and maintaining professional licenses including licensing fees
 - Dues or memberships in professional organizations
 - Subscriptions to professional publications, newspapers or magazines
- When you purchase supplies or equipment to use at work, you may be able to deduct the cost of such items as:
 - Electronics equipment such as laptops, PDAs or mobile phones (special rules apply)
 - Small customer gifts (under \$25.00) or promotional items
- Using your own vehicle for business may provide an additional eligible deduction. By maintaining a written mileage log, you may be able to claim:
 - Mileage between offices, customers, or business errands (the commute from home to work and back is **not** deductible)
 - Any difference between the IRS allowed mileage rate and a lower rate paid by your employer
 - The actual expense of having and maintaining a vehicle (due to recent changes in tax law, this may be a better deduction than the standard allowance)
- If you use your business skills to support charities during your non-working hours, some simple record keeping may increase your deductions. Your mileage, the cost of supplies and any necessary uniform expenses are deductible. However, your time is a true gift and cannot be deducted.
- The cost of maintaining professional licenses is usually deductible. Be sure to save receipts and track the costs of your Series 7, 6 and 63 licenses.
- Expenses you incur traveling overnight may be deductible if your employer doesn't reimburse you. Save receipts for such travel-related expenses as transportation, lodging, meals and telephone calls.

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2003 Tax Return Summary

Federal Year over Year Comparison

INCOME	Year 2003	Year 2002	Change(\$)
Wages, salaries, tips	\$49,572	\$25,000	\$24,572
Total income	\$49,572	\$25,000	\$24,572
ADJUSTED GROSS INCOME			
Total income less total adjustments	\$49,572	\$25,000	\$24,572
TAXABLE INCOME			
Standard deductions	\$9,500	\$7,850	\$1,650
Exemptions	\$12,200	\$12,000	\$200
Taxable income	\$27,872	\$5,150	\$22,722
TAX COMPUTATION			
Income tax	\$3,481	\$518	\$2,963
Tax before credits	\$3,481	\$518	\$2,963
CREDITS			
Child care credit	\$228	\$0	\$228
Education credits	\$1,230	\$518	\$712
Retirement savings contribution	\$300	\$0	\$300
Child tax credit	\$600	\$0	\$600
Total credits	\$2,358	\$518	\$1,840
Tax after credits	\$1,123	\$0	\$1,123
OTHER TAXES			
Total tax	\$1,123	\$0	\$1,123
PAYMENTS			
Federal withholding	\$4,072	\$500	\$3,572
Earned income credit	\$0	\$1,928	(\$1,928)
Additional child tax credit	\$0	\$600	(\$600)
Total payments	\$4,072	\$3,028	\$1,044
REFUND			
Overpayment	\$2,949	\$3,028	(\$79)
Refund due	\$2,949	\$3,028	(\$79)
OTHER COMPUTATIONS			
Alternative minimum taxable income	\$49,572	\$25,000	\$24,572
Marginal tax bracket	15%	10%	
Effective tax bracket	2%		
Filing status	Married Filing Jointly	Married Filing Jointly	

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Client Services

Name	Date of Birth	SSN	Relationship	Number of Months Supported
TIMOTHY BIANCO	June 19, 1960	003-44-0039	SELF	N/A
MAGGIE BIANCO	April 12, 1961	003-44-0139	SPOUSE	N/A
DESMOND BIANCO	July 19, 1984	003-44-0239	SON	12
ANGELICA BIANCO	October 19, 1992	003-44-0339	DAUGHTER	12

Tax Preparation Fees

Total Tax Preparation	\$68.00
E- File/SA Fee(s)	\$10.00

Additional Services

Peace of Mind (POM) (Please remember you need to contact us within 30 days should you receive a letter from the IRS.)	\$27.00
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Total H&R Block Service Fees

Total HRB Fees	\$105.00
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H&R Block guarantees you the maximum refund you are entitled to or your return is free. If, due to H&R Block's error on your return, you are entitled to a larger refund (or smaller tax liability) than what we calculated, we will refund your tax preparation fee for that return. Effective January 2004. Refund claims must be made during the calendar year 2004. At participating locations.

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