

# **THE H&R BLOCK FIASCO CONTINUES**

## **APRIL 2006**

Our old nemesis H&R Block is in the news once again. The New York State Attorney General's office has sued the tax preparation behemoth for fraudulently marketing individual retirement accounts. It is alleged that H&R Block opened more than 500,000 "Express IRA" accounts over the past four years. However, 85% of the customers who opened the accounts paid H&R Block more in fees than they earned in interest or returns.

The complaint filed in state Supreme Court in Manhattan states that Chief Executive Mark Ernst was aware that the Express IRA customers were losing money but did nothing to change the policy. H&R Block states that they will "fight vigorously" to defend the product.

The U.S. Government Accountability Office recently audited a sample of tax returns filed by Americans who hired a tax preparer. More than half of those tax forms reviewed contained what the GAO described as "a significant level of errors." This stirring example of incompetence perked the GAO's interest to actually conduct an experiment. The GAO traveled to tax-preparation chain stores in random towns all across the country and posed incognito as ordinary American tax payers, such as plumbers, teachers, single working mothers, barbers etc.

The verdict...Only 10.5% of the returns were filed mistake free.

Albert Einstein was purported to have complained once that the most confusing force in the universe is the U.S. tax code. The current tax code is a Byzantine 66,000 pages of regulations, loopholes and pure nonsense. We appreciate and empathize in the fact that the code is difficult to understand, but 10.5% accuracy is wretched.