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Major Life Milestones That Could Change Your Tax Situation



By Simon Zhen Updated: Feb 05, 2020



At the start of every tax filing season, one crucial question that always comes to mind is, “Were there any major changes to my finances in the past year?”

Anytime your answer is yes, there’s a good chance that your taxes will be more complicated.

At the very least, your tax -filing routine will have changed from the previous year – requiring some effort on your part to ensure your return is accurate and you haven’t missed something important.

If it seems like your taxes become more complex as you get older, they probably do.

“Young adults may get married, start families, buy homes, and many are paying down student loans. As people age, they might have growing medical expenses or maturing retirement investments. All these things have an impact on your taxes,” says Seth Babb, director of consumer product at [TaxSlayer](#).

It’s true - many things do change as we get older. Here are some major life milestones that could affect how you file your taxes this year or in the future:



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Your Marital Status Changed

Whether you are single, married, or divorced, your filing status has a major impact on your tax return.

Not only does it determine which tax bracket you’re in, it can also affect the type (and amount) of tax deductions and credits you qualify for.

You Bought a House

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The purchase of a new home is a big step financially, and more likely than not, you took out a mortgage to help pay for it.

Fortunately, there are tax breaks that may be available to you now as that you are a homeowner, including the mortgage interest deduction, a deduction for property tax, and even an energy credit if you make certain home improvements.

Naturally, you’ll need to have records of your expenses to claim these tax breaks, so be sure to keep your receipts and paperwork organized throughout the year.

You Changed Jobs

Starting a new job (or another job) could introduce a big change in your income and, consequently, your income tax rate.

What’s more, that job may come with unemployment benefits, childcare, insurance, retirement savings, and other points that need to be noted when filing your tax return.

You Started a Business

When you work for yourself, the IRS considers you self-employed. This not only affects your tax liability, it also affects the tax breaks you qualify for.

First of all, the forms you’ll use to report your income and expenses are different than if you were traditionally employed. You’re also now responsible for the self-employment tax (15.3% on the first \$132,900 of net income earned).

And, you’re entitled to unique tax deductions as well, for things like mileage, home office space, and marketing materials – just to name a few.

You Added to Your Family

Claiming a dependent on your tax return can have a huge impact on your tax liability.

The **Child Tax Credit (CTC)** is a partially refundable credit worth \$2,000 per qualifying child. It’s a significant benefit that parents and legal guardians can claim because it reduces your income tax bill and could even increase your federal tax refund.

There are also tax credits for things like child care, dependents who don’t qualify for the CTC, adoption expenses, and for college tuition as kids get older.

Tips for a Successful Tax-Filing Season

1. Get organized.

Keeping track of your records throughout the year is the best way to ensure that the tax filing season goes smoothly and error-free.

By having all your income and expense documentation together, you don’t have to be running around to find missing information or to troubleshoot any numbers that don’t add up properly.

Plus, you can be sure you didn’t leave any important details out – details that could mean a bigger deduction or credit.

2. Start early.

While the IRS officially starts accepting and processing tax returns in late January, you can start filing earlier to get a head start.

Not only will you have extra time to address any issues that might come up, but also the sooner you file, the sooner you’ll receive your tax refund (if you’re owed one).

3. File with confidence.

Whether you’re using a tax professional or online tax preparation programs, there are a wealth of resources to help you along the way.

It’s important to choose a solution that meets your needs and also [fits into your budget](#).

TaxSlayer understands that you have options, so they are focused on providing an option that anyone can use – no matter your situation or level of expertise.

“We believe that all taxpayers should be able to file their taxes online with confidence. That’s why we’re committed to giving you the tools you need at a price you can afford,” says Babb.

Remember - there’s no wrong way to file. Choose the method that makes you feel confident that your tax return is accurate.

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Simon Zhen is a research analyst for MyBankTracker. He is an expert on consumer banking products, bank innovations, and financial technology. Simon has contributed and/or been quoted in major publications and outlets including Consumer Reports, American Banker, Yahoo Finance, U.S. News - World Report, The Huffington Post, Business Insider, Lifehacker, and AOL.com.

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