6 Common Life Events That Change Your Taxes

Life's most momentous occasions typically impact our finances the most, some more unexpectedly than others. Whether you've just purchased a new home or you're welcoming a new member to the family, your bank account is liable to reflect these changes in a variety of ways. But how do major life events change your tax situation? Here's what you need to know.

1. **Getting married.** When it comes to matrimony and taxes, your first step is to check that your filing name matches what's on your Social Security card. If you moved, update your address as well — you can do that as you file. You'll also want to decide how you and your spouse will file this year. Your choices are "married filing jointly" and "married filing separately." Remember, whether you tied the knot at New Year's Day brunch or right before the ball dropped, the IRS considers you married for the entire year. Make sure your information reflects that.
2. **Having or adopting a child.** Changes in your sleep habits and grocery budget aside, bringing a new life into your household does make quite the impact. The first thing you should consider when you welcome a new child into the family is their Social Security number. This tiny (but extremely significant) piece of data allows you to claim your child on your next return — including your ability to take advantage of the federal child tax credit and deductions for qualified childcare expenses. Families that adopt may receive additional credits, including (but not limited to) adoption fees, court costs, and necessary transportation expenses.
3. **Buying a new home.** Just purchased a home? If you haven't already settled into itemizing your return, this might just be the time to start. New deductions available to you include real estate taxes, private mortgage insurance, and qualified home mortgage insurance. And don't worry if itemizing isn't your thing — you can still benefit from advantages like residential energy credits. That new water heater wasn't cheap, but it may still end up paying for itself in savings down the line.
4. **Changing jobs.** It's a well-known fact that most taxpayers have too much money withheld from their paychecks each year — it's why so many end up getting a big refund check after filing. While a large refund may sound like a win for some, most folks would prefer to have that money in their pocket throughout the year rather than waiting for Uncle Sam to hand it back. If you've recently changed jobs, this is your chance to adjust your W-4 and put yourself in control of your tax scenario for the next time you file. Remember, withholding more increases your refund but leaves you with a smaller paycheck throughout the year. Withholding less reduces your refund, but it means you have access to those funds when you earn them.
5. **The loss of a spouse.** It's a question no one wants to have to ask, but it's often an unfortunate necessity: *What happens with my taxes when my spouse dies?* First, if you qualify as a widow or widower, you may claim this filing status for up to two tax years following the death of your partner (though it is not allowed in the year of his/her death). The standard deduction for qualifying widows and widowers is currently the same as married filing jointly.

   Tax Tip: *If you happen to remarry within the year of your spouse's death, you may not claim the "married filing jointly" status with your deceased spouse.*
6. **Getting a divorce.** Parting ways isn't always easy, so understanding the tax implications of divorce is especially important for both parties involved. If your marital status by midnight of Dec. 31 is "single," then you simply file separately. Even if you've been filing jointly for years, this change makes it official in the eyes of the IRS that you are no longer a unit. As always, your tax software will help you determine the best course of action regarding choosing your filing status following a divorce.

Regardless of the change you've recently made — or perhaps one you're considering in the near future — it's advantageous to keep potential tax implications in mind. Life is full of events — both surprising and carefully planned — and knowing how to put those changes to work for you come tax time can make all the difference in the world for your financial future.

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