

Key Tax-Preparation Tips to Cut Stress

Although it comes around every spring, tax season tends to inflict the same headaches year after year. To reduce your stress — and maximize your refund — it'll help to stay organized and be aware of recent changes to the tax code.

For additional motivation to get on track, keep in mind that the average refund has been about \$3,000 in recent years. Even if you don't expect to get that much back, there are plenty of ways to put a refund to good use. But first, you'll have to file your returns properly, taking advantage of any deductions you might qualify for. Here's a look at where to get started.

Compiling the necessary information

For starters, you'll need your W-2 form listing earnings and tax withholdings, which employers typically send out in January or early February. Be sure to have your Social Security number or taxpayer identification number available, as well as those numbers for any dependents you'll claim. You'll also need documentation of any income they may have had.

Affordable Care Act penalty

The 2010 Affordable Care Act ushered in one of the most significant tax law changes in recent years. It stipulates that if you didn't have health insurance for more than three months in 2015 and didn't qualify for an [exemption](#), you may face a penalty.

For tax year 2015, taxpayers who lack adequate insurance may be penalized at either 2% of a portion of their income or \$325 per adult and \$167.50 per child, to a maximum of \$975 per family — whichever is higher. Those fees are set to increase in upcoming years, which means it's a good idea to [get insured as soon as possible](#).

Tax deductions reduce taxable income

Deductions reduce the amount of your income that you have to pay taxes on. Sit down and figure out whether the standard deduction or itemized deductions will work best for you. The former is a set amount that reduces your taxable income depending on your filing status; the latter lets you list qualified expenses separately, such as mortgage interest and local property taxes. If your itemized deductions add up to more than your standard deduction amount, go with

that.

So what kinds of expenses can you deduct? Contributions to eligible organizations and interest on education loans are among the more well-known deductions you can take. Others, such as medical and [home office expenses](#), aren't as widely used for various reasons. Make sure to look into which of your expenses you can use to reduce your taxable income, which will probably increase your refund. Bear in mind that income limits and expense thresholds may limit these deductions or eliminate them entirely.

If you qualify to contribute to a traditional individual retirement account, or IRA, you may be able to shield up to \$5,500 of income from taxes — plus \$1,000 more if you're 50 or over — by putting it in an IRA. You have until April 15 to make deductible contributions for the previous year. Withdrawals are subject to income tax, however.

Also, if you're in a same-sex marriage, stay alert for further changes in the rules governing your tax status and other financial issues.

The bottom line

Completing your tax returns won't be much fun, but it's the first step in [claiming a refund](#). Once you've filed your returns, you should expect to get what you're due within three weeks — or in less than half that time if you ask for the money to be directly deposited to a savings or checking account. Just remember to compile all the essential paperwork before getting started, keeping an eye out for tax credits and changes to the tax code.

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