Congratulations! You've finished high school, took a gap year, graduated from university, and found a great job. At this point, you're 23 years old and it feels like you've finally made it in the adult world. Only, not quite. One day, you receive a text from your father saying, "Just went to see our accountant. We can no longer claim you as a dependent. Save any receipts you think can be write offs on your taxes when you file next year."

Suddenly, just as Harry Potter entered the Wizarding World, you've conversely entered the horrifyingly dull world of taxes. To be sure, it's less about flying on broomsticks than it is about contributing to public services, such as road maintenance and social security. That said, depending on your personal situation and income, there are ways to lessen the pain and complexity.

First and foremost, and this cannot be stressed enough, be sure to save copies of all relevant financial paperwork. This means donation receipts and pay slips from an employer, as well as any documents that may help to color the year's paper trail. Not only can the appropriate storage of paperwork save you a mountain of grief, should an Internal Revenue Service (IRS) audit ever appear on the horizon, but it can also help you make money!


Image: Money from around the world (Source: Jordan Steinberg)

But let’s break that fact down before you get too excited. Every month, a small fraction of income is deducted from your paycheck. Depending on where you claim residence, the deduction can go towards federal, state and local taxes, as well as towards the national funds for Medicare and social security.

Don’t be fooled, however, into thinking that the withholdings are simply geographically dependent. When starting at a new job, and at annual intervals thereafter, one will typically be made to fill out a W-4 form. This helps both the employer and the IRS, to preemptively determine that the appropriate amount is being withheld. Based on a point system, the form has one declare whether he or she is a dependent or ‘head of household’.

Additional criteria includes marital status, number of dependents/children, and the costs of their care. Regardless of how it ends up, the filer’s final ‘score’ determines the number of allowances. The higher the number corresponds to a decrease in the percentage deducted, with the opposite vice-versa. While this does sound daunting, and the average deduction does hover around 20%, there is a way to get that money back down the line.

Put plainly, if less money has been extracted throughout the year than is ultimately owed on tax day, then the total is what needs to be additionally paid. Should the situation be the reverse, however, the government will refund the difference. That's right, the evil old government handing money back to the people. Sure, it's really just returning what shouldn't have taken to begin with, but it's all a matter of perspective.

Image: United States Department of the Treasury - Washington, D.C (Source: Jordan Steinberg)

In order to take advantage of this possibility, one must fill out the ever-important IRS 1040 form. Not only does this form clearly state the gross annual income of the filer, but also takes certain expenses into account, such as education tuition, retirement account contributions, and taxable interest.

Depending on the complexity of one’s taxation circumstances, there are differing variants of the 1040 available.

The 1040EZ, which most newly independent taxpayers will have the joyous opportunity to delve into, does its best to stay true for its suffix. To qualify for its use, one must have no financial dependents, have an annual income of less than $100,000 and either be single or be jointly-filing as part of a married couple. Should these parameters not apply, then a gander at the other 1040 variants could be a worthy endeavor. The 1040A takes a more stringent approach towards deductions, while the 1040NR is meant for nonresident aliens and the 1040X is used to correct mistakes made on previously-filed 1040 forms.

For first-time tax filers, the process should be fairly simple and quick, with only the 1040EZ form being necessary. As one progresses through life in the United States, as spouses, children, retirement accounts and privately-owned businesses enter the fold, the taxation paperwork will indeed become more complex. As it stands though, don’t rush to hire an accountant. Should you run into difficulty, or simply want to ensure that everything has been done correctly, then perhaps one of our top 10 tax preparation software would be the right course of action.