

How long to keep your Tax Records

By Diane Osborne

Many people aren't sure how long records must be saved in this paperless era. Record-keeping is a boring, but important activity, and if you make the wrong choices, you risk litigation, succession planning problems and the wrath of the tax man. Understanding how long you should keep business records will help you avoid these problems.

The IRS gives us the following guidelines:

Individuals: Keep tax records, including the receipts, all forms and worksheets, for three years from the date you filed your original return. The IRS has the right to conduct a random audit for three years, or to challenge the return for seven years if they feel you have underreported your income by more than 25 percent.

Business: Whether you operate a business with employees or are self-employed, the IRS advises that all records of employment taxes be kept for at least four years after the filing of the fourth quarter of the last year. Other tax records, such as retirement plan documents, must be kept longer.

Items to keep permanently:

Birth and death certificates

Social Security Information

Wills

Marriage license

Divorce decrees

Military discharge papers

Deeds/Real Estate Records

Records that show initial purchase price for stocks and mutual funds so you can calculate your basis when you sell them. Consider storing these important documents in a fire-proof safe or safe deposit box.

If you have questions on this or any other tax matter, we would be glad to assist you.

Thanks,

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Income Tax Preparer