

## Tax Records Retention

### **How long should I keep records?**

The length of time you should keep a document depends on the action, expense, or event the document records. Generally, you must keep your records that support an item of income or deductions on a tax return until the period of limitations for that return runs out.

The time you are required to keep records includes the period of time during which you can amend your tax return to claim a credit or refund, or that the IRS can assess more tax. The following situations contain the periods of limitations that apply to income tax returns. Unless otherwise stated, the years refer to the period after the return was filed. Returns filed before the due date are treated as filed on the due date.

1. You owe additional tax and situations (2), (3), and (4), below, do not apply to you; keep records for 3 years.
2. You do not report income that you should report, and it is more than 25% of the gross income shown on your return; keep records for 6 years.
3. You file a fraudulent income tax return; keep records indefinitely.
4. You do not file a return; keep records indefinitely.
5. You file a claim for credit or refund\* after you file your return; keep records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later.
6. Your claim is due to a bad debt deduction; keep records for 7 years.
7. Your claim is due to a loss from worthless securities; keep records for 7 years.
8. Keep information on an asset for the life of the asset, even when you dispose of the asset; keep records indefinitely.
9. Keep all employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.
10. The following questions should be applied to each record as you decide whether to keep a document or throw it away.

### **Are the records connected to assets?**

Keep records relating to property until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. You must keep these records to figure any depreciation, amortization, or depletion deduction and to figure the gain or loss when you sell or otherwise dispose of the property.

If you received property in a nontaxable exchange, you must keep the records on the old property, as well as on the new property, until the period of limitations expires for the year in which you dispose of the new property in a taxable disposition.

### **What should I do with my records for non-tax purposes?**

When your records are no longer needed for tax purposes, do not discard them until you check to see if you have to keep them longer for other purposes. For example, your insurance company or creditors may require you to keep them longer than the IRS does.

*Source: Internal Revenue Service*