WORTHING & GOING, P.A.
CPAs and Business Advisors
*Vision Beyond the Numbers*

# *Record Retention Requirements*

**Basic records are documents that everybody should keep. Although the Internal Revenue Service doesn't require you to keep your records in a particular way, it does urge taxpayers to keep them "in an orderly fashion" and in a safe place.**

**Basic records**

| FOR items concerning your ... | KEEP as basic records ... |
|---|---|
| Income | Form(s) W-2<br>Form(s) 1099<br>Bank statements<br>Brokerage statements<br>Form(s) K-1 |
| Expenses | Sales slips<br>Invoices<br>Receipts<br>Canceled checks or other proof of payment |
| Home | Closing statements<br>Purchase and sales invoices<br>Proof of payment<br>Insurance records<br>Form 2119 (if you sold a home before 1998) |
| Investments | Brokerage statements<br>Mutual fund statements<br>Form(s) 1099<br>Form(s) 2439 |

**How long you should hang on to records**

| IF you ... | THEN the period is ... |
|---|---|
| Owe additional tax and the next three situations below **do not** apply to you | 3 years |
| Do not report income that you should and it is more than 25 percent of the gross income shown on your return | 6 years |
| File a fraudulent return | No limit |
| Do not file a return | No limit |
| File a claim for credit or refund after you filed your return | Later of 3 years or 2 years after tax was paid |
| File a claim for a loss from worthless securities | 7 years |

Also keep in mind that while the basic IRS review period is three years, there are exceptions -- in the tax collector's favor.

If the agency suspects you've underreported your income or has questions about a worthless stock write-off, look out. When examiners believe you've shorted your income amount on a return by 25 percent or more, they can come asking questions up to six years later. Add another 12 months for queries about that bad investment.

More details on tax record keeping are available in IRS Publication 552, Recordkeeping for Individuals.