

Keeping Good Records Reduces Stress at Tax Time

The tax department gets asked a lot “how long do I need to keep my tax records? They are taking up half of my living room!”. Well, the IRS has published some guidance on the issue as follows:

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years:

- Bills
- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or any other proof of payment
- Any other records to support deductions or credits you claim on your return

You should normally keep records relating to property until at least three years after you sell or otherwise dispose of the property. Examples include:

- A home purchase or improvement
- Stocks and other investments
- Individual Retirement Arrangement transactions
- Rental property records

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid, whichever is later. Examples of important documents business owners should keep include:

- Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC
- Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices
- Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments
- Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks