

Record Keeping Tips and Guidelines for Individuals

Tax records should be kept year-round, not just hastily assembled for your annual tax appointment. Without tax records, you can forget or be unable to substantiate valuable deductions. Additionally, if your records are organized, your accountant will need less time to review your records. This may translate to lower tax preparation fees.

Generally, records can be audited up to 3 years after filing. However, if income is underreported by more than 25%, the IRS can collect underpaid taxes up to six years later. In other words, you need good records to verify what you report on your tax returns.

Which records are important?

Keep the following records for the specified periods of time in a way that is convenient for you and will allow you to give complete information on each item: How much? What for? When? Where? Why?

- Records of income received
- Expense items, especially work-related expense
- Home improvements, sales, and refinances
- Investment purchases and sales information
- The tax basis of gifted and inherited property
- Specific uses of loan proceedings
- Medical expenses
- Charitable contributions
- Interest and taxes paid
- Records on nondeductible IRA contributions

Here are some items you should store in a secure location or safe deposit box:

- **Documents related to the purchase of assets:** You want to keep these records for as long as you hold the asset. They will be needed to establish any gain or loss on disposal of the asset. Examples include: Closing statement on purchase of your residence, car titles or transfer documents, boat purchase agreements, etc.
- **Insurance Policies:** You need to keep these for the term of the policy.
- **Stock Certificates:** These documents establish proof of ownership (even if the name of the business has changed since you took possession of them).
- **CPA Audit Reports:** Hold on to these permanently.
- **Legal Records:** Keep these permanently.
- **Appraisals:** Keep as long as you have the item that was appraised.