

TAX RECORDS REQUIREMENTS AND RETENTION

In response to the many requests received regarding what tax records should be kept and for how long, here is a list based on Federal law for your reference.

Income tax returns and supporting documents: retain for at least 4 years and preferably 6 (if space is not critical). Once this period has elapsed, the documents may be discarded, but the returns themselves do not take much space and should probably be retained indefinitely.

Residential property records: all escrow closing statements (purchase, sale, and any refinance escrow statements) plus receipts for improvements should be kept for at least 4 years after the property is sold.

Buy/Sell confirmations for stocks, bonds, mutual funds: keep for at least 4 years after the asset is sold. This would include the record of stock dividends, splits, and reinvested dividends.

Depreciation records: for any rental real estate or depreciable business property you own, keep records of the property's cost, date acquired, and schedule of depreciation claimed in previous years. These records should be kept until 4 years after the property is sold or exchanged.

Retirement plan contributions: records of non-deductible IRA deposits, employer plan stock purchased, rollovers, and KEOGH plan deposits should be kept until 4 years after the plan assets have been withdrawn.

Personal records: important papers such as estate and gift tax returns, divorce and property settlement agreements, deeds, title insurance policies, and all trust documents should be kept in a permanent file, or perhaps in a safe deposit box.

Miscellaneous papers: all other documents including bank statements, canceled checks, credit card statements, deposit slips, charitable contribution receipts, and medical bills may be discarded after 4 years.

If you are not sure, please call your CPA before you discard it.