
Record Retention Guide

In This Guide

- Why keeping good records matters (tax and non-tax reasons)
 - How long to keep tax records
 - What records the IRS requires taxpayers to keep
 - Specific records needed for tax-saving opportunities and other matters
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Why Keeping Records Matters

Maintaining accurate records helps you:

- File accurate, complete tax returns with minimal hassle
- Receive your refund quickly
- Avoid late filing, penalties, or audit delays

Tax savings: Many credits and deductions require specific documentation. Without proper records, you may miss out.

Records Beyond Taxes

Good records aren't just for the IRS:

- **Budgeting** → Track income & expenses

- **Insurance** → Prove ownership/value of property
- **Loans** → Provide proof of income/assets

Tip: Before discarding records, confirm they aren't needed for non-tax purposes.

How Long Should I Keep Tax Records?

The IRS generally requires you to keep:

- A copy of your tax return + related forms
- Until the statute of limitations expires

Standard Rules

- **3 years** → After filing your return
- **6 years** → If income is underreported by 25%+
- **Unlimited** → If you don't file or file fraudulently
- **7 years** → If claiming losses from worthless securities

Table 1: Retention Periods

Situation	Retention Period
Standard return filed	3 years
Significant income unreported	6 years
Fraudulent return	Unlimited
No return filed	Unlimited
Worthless securities loss claimed	7 years

Special Rules for Property Records

When selling property (stocks, crypto, real estate, equipment, etc.):

- Keep records of purchase, improvements, and sale/exchange
- Hold documents **until after** the year you dispose of the property

Example: If you trade furniture for another set, keep records of the original purchase, the exchange, and the later sale/disposal of the new property.

What Records Do I Need to Keep?

IRS-required records generally fall into **five categories**:

1. Income

- W-2, 1099, K-1, bank statements, proof of non-taxable income

2. Expenses & Deductions

- Tuition (Form 1098-T), mortgage, medical bills, charitable receipts, business mileage

3. Family & Status

- Marriage/divorce decrees, birth/adoption certificates, custody agreements

4. Property / Capital Gains

- Purchase/sale records, major improvements, stock/crypto trades

5. Life Events

- Relocation, military service, disability, death certificates

Common Records at a Glance

Category	Examples	Why Important
Income	W-2, 1099s, K-1, bank/investment statements	Report taxable income; qualify for Social Security/Medicare
Expenses & Deductions	Tuition, medical bills, donations, business mileage logs	Claim deductions & credits
Family/Status	Marriage/divorce decrees, birth/adoption records	Justify filing status & dependent claims
Property	Closing statements, stock trades, crypto purchase/sale	Calculate capital gains/losses
Life Events	Military, relocation, disability, death certificates	Apply tax rules for special events

Acceptable Proof of Expenses

- Paper or digital receipts
- Bank/credit card statements
- Email confirmations
- Mileage logs

Records must clearly show **what, when, and from whom.**

Business & Self-Employment

- Keep records separating **business vs. personal expenses**
- Log business mileage accurately

- Maintain depreciation schedules for long-term assets

Example: If a laptop is 50% business use, only 50% is deductible.

Records for Specific Tax Benefits

Keep specialized records for:

- **Adoption Credit** → Expenses + ATIN if applicable
 - **Health & Education Credits** → Tuition (1098-T), medical receipts, HSA statements
 - **Home Sale Exclusion** → Purchase, improvement, and sale docs
 - **Crypto & Digital Assets** → All buy/sell/exchange history
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Final Thoughts

Good recordkeeping = peace of mind. With well-organized files, you can:

- ✓ File taxes faster
- ✓ Claim every deduction & credit
- ✓ Defend yourself in case of audit
- ✓ Stay prepared for loans, insurance, and life changes

Next Step: Organize your records into categories (Income, Expenses, Property, Family, Life Events) and review annually to decide what can be safely discarded.
