

The Rule:

*Or the not so obvious rule:
“Keep all records for as long
as you might need them.” In
other words, keep your tax
records until the statute of
limitations expire for that
particular tax year.*

Who is affected:

All individuals.

The SDK Team:

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Best Practice Procedures

Retain copies of your filed
tax returns and all the
supporting
documentation until the
statute of limitations
expires for the tax year.

Also retain all
employment tax records
for at least 4 years from
the latter of the date in
which the tax is due or
paid.

Case Study #82 – Annual Cleaning & File Retention

The Challenge

What records need to be retained and for how long?

Tax Records

The not so obvious rule: “Keep all records for as long as you might need them.” In other words, keep your tax records until the statute of limitations expire for that particular tax year.

In most cases if you do not owe any additional tax, the statute of limitations expires after 3 years, BUT if you:

- Underreport income on a tax return by 25% of the gross income filed on the return, the statute of limitations is 6 years.
- File a fraudulent return or do not file a tax return, there is no statute of limitations.
- File a claim for credit or refund after your return has been filed, the statute of limitations is the later of 3 or 2 years after the tax was paid.
- File a claim for a loss from worthless securities, the statute of limitations is 7 years.

Property Records

Property Records must be retained until the statute of limitations expire for the year in which the property is disposed in.

Don't Get Shredder Happy

Records may need to be retained for more purposes other than the IRS; be sure to check with the respective organization such as insurance companies or creditors before discarding important records.

References:

For additional information view:

IRS Publication 552 (01/2011), Recordkeeping for Individuals

Clough, Mike. “[Record Retention Requirements.](#)” 16 September 2009.