

Recordkeeping Tips:

- **Keep and organize all banking records**, including deposit slips and receipts for unusual nontaxable items such as inheritances, gifts, loans, and insurance payouts. Make notations on large deposits and account transfers so you will be able to recall the source of the monies to avoid being classified by the IRS as income.
- **Pay for routine bills and personal items by check or credit.** If these payments are not on your bank statements the auditor will assume they were paid for by cash and can open you to an expanded audit.
- **Keep business and personal bank accounts separate.** If an auditor sees that you have been paying for personal items with your business account the auditor will assume that this is occurring on a frequent basis and are being classified incorrect in business categories.
- **Keep a record of all charitable donations.** All donations of money must be accounted for by either a bank record or a written acknowledgement from the charity. Starting in 2006, all donated clothing or household items must be in good condition or better to qualify for the charitable donation deduction. The accepted value of common items can be found in the Salvation Army's Valuation Guide. Take a picture.
- **Keep statements from your IRA fund managers.** These statements will support your case to the IRS when it comes to whether your fund was tax-deferred or already taxed and will keep track of the tax-deferred earnings. IRS [Form 8606](#) also can help track retirement plan taxes and calculate the taxable basis of your IRA.
- **Keep all tax related documentation for as long as you are open to an audit.** This includes 1040 forms and tax schedules, documents supporting deductions, W-2s, etc. You do not need to keep any documents that you did not use to support an exclusion of money from reported income or to support a deduction. For more information on recordkeeping from the IRS, click [here](#).

Save For →

4 Years

- Business records
- Receipts, bills, and canceled checks that support all deductions on Form 1040
- Records that support receipts of income (1099s, K-1s)

7 Years*

- Sales invoices
- Purchases and expense bills
- Routine office correspondence
- Bank statements and canceled checks
- Accounting journals and books

10 Years

- Payroll tax returns
- Business income tax returns

Forever

- Personal income tax returns and W-2 forms
- Records relating to IRA and other retirement accounts including contributions and withdrawals

* Records relating to special items such as Coverdell Educational Savings Account transactions or the sale of Municipal Bonds or Treasury securities should be kept for 7 years. Any records relating to the receipt of income which was properly not reported on Form 1040, such as inheritances or large gifts or settlements of personal injury suits should also be kept for 7 years.

Save for 4 Years after an Asset is Sold:

- Brokerage records showing purchases or sales of investments
- Home ownership (buying and selling), including home office depreciation and deductions; receipts for improvements, repairs, appliances and landscaping