BKC
Certified Public Accountants, PC

# Tax Recordkeeping

Save or Shred?

## How long should I keep tax records?

It depends. Generally, you must keep records that support an item of income or deductions on a tax return until the *statute of limitations* for that tax return runs out. The statute of limitations is the period of time in which you can amend your tax return to claim a credit or refund, or that the IRS can assess additional tax. However, we suggest you keep copies of your tax returns permanently. They can assist in preparing future returns and making computations if you file an amended return.

- If the IRS suspects that you did not report income, that you should have reported, and it is more than 25% of the gross income shown on your return, they may request records back **6 years**.
- If the IRS believes you did not file a tax return required, they may request records back **indefinitely.**
- If the IRS suspects fraud, they may request records back **indefinitely.**
- If the records are connected to an asset, keep records until the statue expires for the year in which you dispose of the property in a taxable disposition.

Contact us with questions at (908) 782-7900 or info@bkc-cpa.com. Visit our website for tools, news and articles at www.bkc-cpa.com.

## What is the recommended retention period?

Please note that retention periods are calculated based on the number of years from the date the tax return was filed, to the current date. For example, if you go on extension and don't file your 2015 tax return until September 2016, you'll need to keep all those related documents to support that tax return until September 2023.

## Protect your identity

Remember when purging records, to shred all documents with identifiable information such as date of birth, account numbers, Social Security numbers, Federal ID numbers, financial data, competitive information, etc. to guard against identity theft, comply with business laws and protect our environment.

## Recommended Retentions:

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| Accounts payable ledgers and schedules | 7 years |
| Audit reports | Permanently |
| Bank reconciliations | 2 years |
| Bank statements | 3 years |
| Checks (for important payments and purchases) | Permanently |
| Contracts, mortgages, notes, and leases (expired) | 7 years |
| Contracts (still in effect) | Contract period |
| Correspondence (general) | 2 years |
| Correspondence (legal and important matters) | Permanently |
| Correspondence (with customers and vendors) | 2 years |
| Deeds, mortgages, and bills of sale | Permanently |
| Depreciation schedules | Permanently |
| Duplicate deposit slips | 2 years |
| Employment applications | 3 years |
| Expense analyses/expense distribution schedules | 7 years |
| Year-end financial statements | Permanently |
| Insurance records, current accident reports, claims, policies, and so on (active and expired) | Permanently |
| Internal audit reports | 3 years |
| Inventory records for products, materials, and supplies | 3 years |
| Invoices (to customers, from vendors) | 7 years |
| Minute books, bylaws, and charter | Permanently |
| Patents and related papers | Permanently |
| Payroll records and summaries | 7 years |
| Personnel files (terminated employees) | 7 years |
| Retirement and pension records | Permanently |
| Tax returns worksheets | Permanently |
| Timesheets | 7 years |
| Trademark registrations and copyrights | Permanently |
| Withholding tax statements | 7 years |