

What 2017 tax records can you toss once you've filed your return?



The short answer is: none. You need to hold on to all of your 2017 tax records for now. But this is a great time to take a look at your records for previous years and determine what you can purge.

The 3-year rule

At minimum, keep tax records for as long as the IRS has the ability to audit your return or assess additional taxes, which generally is three years after you file your return. For example, if you file your 2017 Form 1040 on or before April 15, 2018, the IRS has until April 15, 2021 to audit the return and assess a deficiency.

What to keep longer

You'll need to hang on to certain records beyond the statute of limitations:

- If a return includes a substantial understatement of income, exceeding 25% of the amount reported on the return, the statute of limitations is extended to six years.
- Keep tax returns themselves forever, so you can prove to the IRS that you actually filed. (There's no statute of limitations for an audit if you didn't file a return.)
- For W-2 forms, consider holding them until you begin receiving Social Security benefits. Why? In case a question arises regarding your work record or earnings for a particular year.
- For records related to real estate or investments, keep documents as long as you own the asset, plus three years after you sell it and report the sale on your tax return.
- Also consider keeping IRS and state audit reports, business ledgers and financial statements.

Rule of Thumb

A good rule of thumb for keeping tax records is to add a year to the IRS statute of limitations period. With this approach, you would keep your income tax records for a minimum of four years or up to seven, which is what the IRS formally recommends.

Electronic Records

The IRS does allow you to store certain tax records electronically. Once the paper documents have been converted to electronic images, the paper documents can then be destroyed. Certain requirements must be met to take advantage of an electronic storage system, so contact Alerding CPA Group for more details.

Just a starting point

This is only a sampling of retention guidelines for tax-related documents. If you have questions about other documents, please contact Alerding CPA Group at 317-569-4181 or visit our website: www.alerdingcpagroup.com.

For additional information:

Massachusetts CPA Society: <http://www.go-cpas.com/content/client/819973dc4b12470e3523a416138c3c5c/uploads/record-retention-201.pdf>

Shred-it: <https://www.shredit.com/getmedia/13d09690-db28-4798-8929-b19ac3325166/Shred-it-Guide-to-Document-Retention.aspx?ext=.pdf>

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