

It is essential that you compile the right information so that your return can be properly prepared. Maintaining records is just as critical so that if the IRS later audits the return, you will be able to withstand the challenge. Records are a first line of defense against many penalties.

One of the best records to prove a paid expense is a cancelled check. If you receive your cancelled checks back, keep those that relate to any items on your tax return.

You should also retain receipts, sales slips, and invoices referring to items that might be included on a return. In addition to keeping records to support deductions, you will also need to keep records to track income that is reported on your tax return. These include Forms W-2 and 1099. In addition to Form 1099, separate accounting books and records are needed for independent contracting jobs.

There are additional Forms 1099 showing interest, dividends and other types of income which you should keep, along with financial statements from brokerage houses.

You should always keep copies of your tax returns as well as copies of related schedules and attachments. How long do you need to keep these records? In general you need to keep them for as long as the IRS can potentially challenge you on the item. This pamphlet outlines some more specific time periods for common records.

There is no limit for the IRS to bring an action against someone who has filed a false or fraudulent return.

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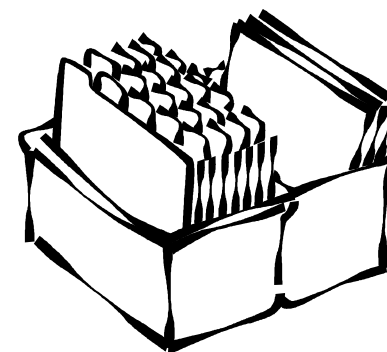
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OPIE Accounting
and Tax, LLC

1813 S Central Ave Phone: 715-387-1141
Marhfield, WI 54449 Fax: 715-387-1143
Email: info@opieaccounting.com

Records Retention Information



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Individual Records

Retention Period

Tax returns (uncomplicated).....	7 years
Tax returns (all others).....	Permanent
W-2s.....	7 years
1099s.....	7 years
Cancelled checks supporting tax deductions.....	7 years
Bank deposit slips.....	7 years
Bank statements.....	7 years
Charitable contribution documentation.....	7 years
Credit card statements.....	7 years
Investment purchase and sales slips.....	Ownership period + 7 years
Dividend reinvestment records....	Ownership period + 7 years
Year-end brokerage statements..	Ownership period + 7 years
Mutual fund annual statements..	Ownership period + 7 years
Investment property purchase documents..	Ownership period + 7 years
Home purchase documents..	Ownership period + 7 years
Home improvement receipts and cancelled checks.....	Ownership period + 7 years
Home repair receipts and cancelled checks.....	Warranty period for item
Retirement plan annual reports...	Permanent
IRA annual reports.....	Permanent
IRA nondeductible contributions Form 8606.....	Permanent
Insurance policies.....	Life of policy + 3 years ¹
Divorce documents & decrees.....	Permanent
Loans.....	Term of loan + 7 years
Estate planning documents.....	Permanent
Trust Documents & Wills.....	Permanent
Partnership Agreement...	Ownership period + 7 years
Business Contracts.....	Permanent

Federal tax returns can generally be audited for up to three years (four years for Wisconsin state returns) after filing and up to six years if the IRS suspects under-reported income. It is wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records.

Business Records

Retention Period

Accounting Records

Accounts payable.....	7 years
Accounts receivable.....	7 years
Audit reports.....	Permanent
Chart of accounts.....	Permanent
Depreciation schedules.....	Permanent
Expense reports.....	7 years
Financial statements (annual).....	Permanent
Fixed asset purchases.....	Permanent
General ledger.....	Permanent
Inventory records.....	7 years ²
Loan payment schedules.....	7 years
Purchase orders (1 copy).....	7 years
Sales records.....	7 years
Tax returns.....	Permanent

Bank Records

Bank reconciliations.....	5 years
Bank statements.....	7 years
Cancelled checks.....	7 years ⁴
Electronic payment records.....	7 years

Business Records

Retention Period

Corporate Records

Board minutes.....	Permanent
Bylaws.....	Permanent
Business licenses.....	Permanent
Contracts—major.....	Permanent
Contracts—minor.....	Life of contract + 4 years
Insurance policies.....	Life of policy + 3 years ¹
Leases/mortgages.....	Permanent
Patents/trademarks.....	Permanent
Shareholder records.....	Permanent
Stock registers.....	Permanent
Stock transactions.....	Permanent

Employee Records

Benefit plans.....	Permanent
Employee files (ex-employees).....	7 years ³
Employment applications.....	3 years
Employment taxes.....	7 years
Payroll records.....	7 years
Pension/profit sharing plans	

Real Property Records

Construction records.....	Permanent
Leasehold improvements.....	Permanent
Lease payment records.....	Life of lease + 4 years
Real estate purchases.....	Permanent

¹ Check with your agent. Liability for prior years can vary.

² Permanent for LIFO system.

³ Or statute of limitations for employee lawsuits

⁴ Permanent for real estate purchases