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How Long Should You Save Your Tax Records?

Have you been tempted to throw out some old paperwork? Before doing so, you need to make sure it will not be required down the road. By law, you must keep the documents supporting the income and deductions shown on your tax return until the period of limitations for that return expires.

The IRS has 3 years from the date you filed your return to assess any additional taxes you owe. If you failed to report 25% (or more) of your taxable gross income, the IRS has 6 years from the filing date to assess additional taxes. If you did not file a return at all, or filed a fraudulent return, there is no statute of limitation preventing the assessment of additional taxes.

The following are some general rules from the National Association of Enrolled Agents for determining how long to maintain your important personal tax records:

- Federal and state income tax returns should be kept indefinitely, along with proof of mailing (registered mail, certified receipt, etc.).
- Supporting documents such as W-2s, 1099s, canceled checks, receipts, credit card statements, and all other documents that verify income and deductions should be kept for a minimum of 7 years.
- Residential property. You should keep all settlement records for home purchases and any records relating to improvements that were made for as long as you own your home. If you sell your home, you should maintain these records for 7 years after the year of sale.
- Investment property such as stocks, bonds, mutual funds, etc.: You must maintain records showing the purchase date and purchase price for each individual investment for as long as you own the investment. Upon selling the investment, these records will be used to determine whether you have a gain or a loss and whether it is short or long term. Maintain both the purchase and sale records for 7 years following the year of sale.
- Non-deductible IRA contributions: these records need to be maintained indefinitely. They will be needed to determine the non-taxable portion of your required IRA distributions.
- Depreciable property: for all rental real estate or business property, you should maintain records showing the purchase date, cost of the property, the date and cost of any improvements to the property, and a depreciation schedule showing the method used and the depreciation taken for all the years that you owned the property. These records must also be kept until 7 years after the sale of the property.
- Personal records such as birth certificates, marriage licenses, divorce agreements, wills, copies of estate and gift tax returns, etc. These should be maintained in a permanent file. These are important documents that may be needed to verify information on a tax return but are also needed in various life situations.