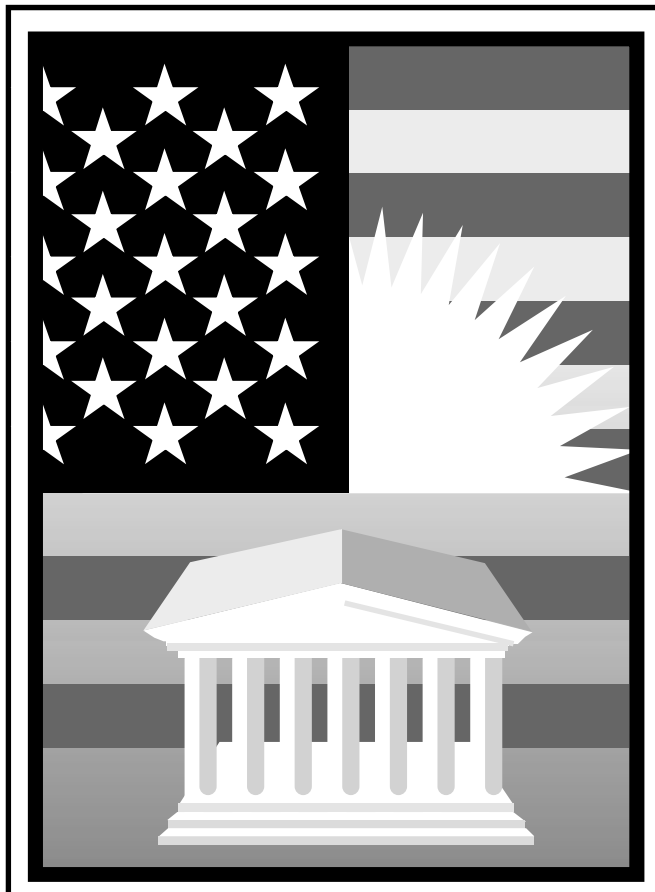




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Recordkeeping for Individuals



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Introduction

This publication discusses why you should keep records, what kinds of records you should keep, and how long to keep them.

You probably already keep records in your daily routine. This includes keeping receipts for purchases and recording information in your checkbook. Use this publication to determine if you need to keep additional information in your records.

Throughout this publication we refer you to other IRS publications for additional information. See *How To Get More Information* near the end of this publication for information about getting publications and forms.

This publication does not discuss the records you should keep when operating a business. For information on business records, see Publication 583, *Starting a Business and Keeping Records*.

Why Keep Records?

There are many reasons to keep records. In addition to tax purposes, you may need to keep records for insurance purposes or for getting a loan. Good records will help you:

- **Identify sources of income.** You may receive money or property from a variety of sources. Your records can identify the sources of your income. You need this information to separate business from nonbusiness income and taxable from nontaxable income.
- **Keep track of expenses.** You may forget an expense unless you record it when it occurs. You can use your records to identify expenses for which you can claim a deduction. This will help you determine if you can itemize deductions on your tax return.
- **Keep track of the basis of property.** You need to keep records that show the basis of your property. This includes the original cost or other basis of the property and any improvements you made.
- **Prepare tax returns.** You need records to prepare your tax return. Good records help you to file quickly and accurately.
- **Support items reported on tax returns.** You must keep records in case the IRS has a question about an item on your return. If the IRS examines your tax return, you may be asked to explain the items re-

ported. Good records will help you explain any item and arrive at the correct tax with a minimum of effort. If you do not have records, you may have to spend time getting statements and receipts from various sources. If you cannot produce the correct documents, you may have to pay additional tax and be subject to penalties.

Kinds of Records To Keep

The IRS does not require you to keep your records in a particular way. Keep them in a manner that allows you and the IRS to determine your correct tax.

You can use your checkbook to keep a record of your income and expenses. In your checkbook you should record amounts, sources of deposits, and types of expenses. You also need to keep documents, such as receipts and sales slips, that can help prove a deduction.

You should keep your records in an orderly fashion and in a safe place. Keep them by year and type of income or expense. One method is to keep all records related to a particular item in a designated envelope.

In this section you will find guidance about basic records that everyone should keep. The section also provides guidance about specific records you should keep for certain items.

Computerized records. Many retail stores sell computer software packages that you can use for recordkeeping. These packages are relatively easy to use and require little knowledge of bookkeeping and accounting.

If you use a computerized system, you must be able to produce legible records of the information needed to determine your correct tax liability. In addition to your computerized records, you must keep proof of payment, receipts, and other documents to prove the amounts shown on your tax return.

Copies of tax returns. You should keep copies of your tax returns as part of your tax records. They can help you prepare future tax returns, and you will need them if you file an amended return. Copies of your returns and other records can be helpful to your survivor or the executor or administrator of your estate.

If necessary, you can request a copy of a return and all attachments (including Form W-2) from the IRS by using Form 4506, *Request for Copy or Transcript of Tax Form*. For information on the cost and where to file, see the Form 4506 instructions.

Basic Records

Basic records are documents that everybody should keep. These are the records that prove your income and expenses. If you own a home or investments, your basic records should contain documents related to those items. This table lists documents you should keep as basic records. Following the table are examples of information you can get from these records.

| FOR items concerning your... | KEEP as basic records... |
|------------------------------|--|
| Income | <ul style="list-style-type: none"> • Form(s) W-2 • Form(s) 1099 • Bank statements • Brokerage statements • Form(s) K-1 |
| Expenses | <ul style="list-style-type: none"> • Sales slips • Invoices • Receipts • Canceled checks or other proof of payment |
| Home | <ul style="list-style-type: none"> • Closing statements • Purchase and sales invoices • Proof of payment • Insurance records • Form 2119 (if you sold a home before 1998) |
| Investments | <ul style="list-style-type: none"> • Brokerage statements • Mutual fund statements • Form(s) 1099 • Form(s) 2439 |

Income. Your basic records prove the amounts you report as income on your tax return. Your income may include wages, dividends, interest, and partnership or S corporation distributions. Your records also can prove that certain amounts are not taxable, such as tax-exempt interest.

Note. Keep Copy C of Form W-2 for at least 3 years after the due date for filing your tax return. However, to help protect your social security benefits, keep Copy C until you begin receiving social security benefits, just in case there is a question about your work record or earnings in a particular year.

Expenses. Your basic records prove the expenses for which you claim a deduction (or credit) on your tax return. Your deductions may include alimony, charitable contributions, mortgage interest, and real estate taxes. You may also have child care expenses for which you can claim a credit.

Home. Your basic records should enable you to determine the basis or adjusted basis of your home. You need this information to determine if you have a gain or loss when you sell your home or to figure depreciation if you use part of your home for business purposes or for rent. Your records should show the purchase price, settlement or closing costs, and the cost of any improvements. They may also show any casualty losses deducted, insurance reimbursements for casualty losses, and postponed gain from the sale of a previously-owned home.

For information on which settlement or closing costs are included in the basis of your home, see Publication 530, *Tax Information for First-Time Homeowners*. For information on basis, including the basis of property you receive other than by purchase, see Publication 551, *Basis of Assets*.

When you sell your home, your records should show the sales price and any selling expenses, such as commissions. For information on selling your home, see Publication 523, *Selling Your Home*.

Investments. Your basic records should enable you to determine your basis in an investment and whether you have a gain or loss when you sell it. Investments include stocks, bonds, and mutual funds. Your records should show the purchase price, sales price, and commissions. They may also show any reinvested dividends, stock splits and dividends, load charges, and original issue discount (OID).

For information on stocks and bonds, see Publication 550, *Investment Income and Expenses*. For information on mutual funds, see Publication 564, *Mutual Fund Distributions*.

Proof of Payment

One of your basic records is proof of payment. You should keep these records to support certain amounts shown on your tax return. Proof of payment alone is not proof that the item claimed on your return is allowable. You should also keep other documents that will help prove that the item is allowable.

Generally, you prove payment with a canceled check or cash receipt. If you do not have a canceled check because your bank does not return canceled checks or if you make payments by credit card or electronic funds transfer, you may be able to prove payment with an account statement.

If you make payments in cash, you should get a dated and signed receipt showing the amount and the reason for the payment.

Account statements. You may be able to prove payment with a legible financial account statement prepared by your bank or other financial institution. These statements are accepted as proof of payment if they show the items in the following table.

Pay statements. If you have deductible expenses withheld from your paycheck, such as union dues or medical insurance premiums, keep your pay statements as proof of payment of these expenses.

| IF payment is by... | THEN the statement must show the... |
|---------------------------|--|
| Check | <ul style="list-style-type: none"> • Check number • Amount • Payee's name • Date the check amount was posted to the account by the financial institution |
| Electronic funds transfer | <ul style="list-style-type: none"> • Amount transferred • Payee's name • Date the transfer was posted to the account by the financial institution |
| Credit card | <ul style="list-style-type: none"> • Amount charged • Payee's name • Transaction date |

Specific Records

This section is an alphabetical list of some items that require specific records in addition to your basic records.

Alimony

If you receive or pay alimony, you should keep a copy of your written separation agreement or the divorce, separate maintenance, or support decree. If you pay alimony, you will also need to know your former spouse's social security number. For information on alimony, see Publication 504, *Divorced or Separated Individuals*.

Business Use of Your Home

You may be able to deduct certain expenses connected with the business use of your home. You should keep records that show the part of your home that you use for business and the expenses related to that use. For information on how to allocate expenses between business and personal use, see Publication 587, *Business Use of Your Home*.

Casualty and Theft Losses

To deduct a casualty or theft loss, you must be able to prove that you had a casualty or theft. Your records also must be able to support the amount you claim.

For a **casualty loss**, your records should show:

- The type of casualty (car accident, fire, storm, etc.) and when it occurred.
- That the loss was a direct result of the casualty.
- That you were the owner of the property.

For a **theft loss**, your records should show:

- When you discovered your property was missing,
- That your property was stolen, and
- That you were the owner of the property.

For more information, see Publication 547, *Casualties, Disasters, and Thefts (Business and Nonbusiness)*. For a workbook designed to help you figure your loss, see Publication 584, *Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)*.

Child Care Credit

You must give the name, address, and taxpayer identification number for all persons or organizations that provide care for your child or dependent. You can use Form W-10 or various other sources to get the information from the care provider. Keep this information with your tax records. For information on the credit, see Publication 503, *Child and Dependent Care Expenses*.

Contributions

The kinds of records you must keep for charitable contributions depend on the amount of the contribution and whether the contribution is in cash. For information on contributions, see Publication 526, *Charitable Contributions*.

Contributions from which you benefit. Generally, if you make a charitable contribution that is more than \$75 and is partly for goods or services, the organization must give you a written statement that you should keep.

Cash. Cash contributions include those paid by cash, check, credit card, or payroll deduction. For each cash contribution, you must keep one of the following:

- A canceled check or a financial account statement,
- A receipt from the organization showing the name of the organization, the amount, and date of the contribution, or
- Other reliable written records that are reasonable under the circumstances and that include the name of the organization, the amount, and the date of the contribution.

Contributions of \$250 or more. You can deduct a contribution of \$250 or more only if you have a written acknowledgment of your contribution from the organization.

Out-of-pocket expenses. You should keep records of your out-of-pocket expenses when you perform services for a charitable organization. You can record these expenses in a diary. For example, if you use your car when doing volunteer work, you should record the name of the organization and the unreimbursed gas and oil expenses directly related to the volunteer work. If you do not want to keep records of your actual expenses, you can keep a log of the miles you drove your car for the charitable purpose and use the standard mileage rate shown in Publication 526. You should also keep records of any parking fees, tolls, taxi fares, and bus fares.

Property. For each contribution of property, you must keep a receipt from the organization showing:

- The name of the organization,
- The date and location of the contribution, and
- A reasonably detailed description of the property.

A letter or other written communication from the organization containing the above information will serve as a receipt.

You also must keep reliable written records for each item of donated property. These records must include the:

- Fair market value of the property at the time of the contribution,
- Cost or other basis of the property, and
- Terms of any conditions attached to the contribution.

For more information on donated property, see Publication 526.

Credit for the Elderly or the Disabled

If you are under age 65, you must have your physician complete a statement certifying that you were permanently and totally disabled on the date you retired.

You do not have to file this statement with your Form 1040 or Form 1040A, but you **must** keep it for your records.

Veterans. If the Department of Veterans Affairs (VA) certifies that you are permanently and totally disabled, you can substitute VA Form 21-0172, *Certification of Permanent and Total Disability*, for the physician's statement you are required to keep. See Publication 524, *Credit for the Elderly or the Disabled*, for more information.

Employee Business Expenses

If you have employee business expenses, see Publication 463, *Travel, Entertainment, Gift, and Car Expenses*, for a discussion of what records to keep.

Gambling Winnings and Losses

You must keep an accurate diary of your winnings and losses that includes the:

- Date and type of gambling activity,
- Name and address or location of the gambling establishment,
- Names of other persons present with you at the gambling establishment, and
- Amount you won or lost.

In addition to your diary, you should keep other documents. See the discussion related to gambling losses in Publication 529, *Miscellaneous Deductions*, for documents you should keep.

Individual Retirement Arrangements (IRAs)

Keep copies of the following forms and records until all distributions are made from your IRA(s).

- Form 5498 or similar statement received for each year showing contributions you made, distributions you received, and the value of your IRA(s),
- Form 1099-R received for each year you received a distribution, and
- Form 8606 for each year you made a nondeductible contribution to your IRA or received distributions from an IRA if you ever made nondeductible contributions.

For a worksheet you can use to keep a record of yearly contributions and distributions, see Publication 590, *Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)*.

Medical and Dental Expenses

In addition to records you keep of regular medical expenses, you should keep records on transportation expenses that are primarily for and essential to medical care. You can record these expenses in a diary. You should record gas and oil expenses directly related to that transportation. If you do not want to keep records of your actual expenses, you can keep a log of the miles you drive your car for medical purposes and use the standard mileage rate. You should also keep records of any parking fees, tolls, taxi fares, and bus fares.

For information on medical expenses and the standard mileage rate, see Publication 502, *Medical and Dental Expenses*.

Medical Savings Account

For each qualified medical expense you deduct or pay with a distribution from your medical savings account, you must keep a record of the name and address of each person you paid and the amount and date of the payment. For more information on medical savings ac-

counts, see Publication 969, *Medical Savings Accounts (MSAs)*.

Mortgage Interest

If you paid mortgage interest of \$600 or more, you should receive Form 1098, *Mortgage Interest Statement*. Keep this form and your mortgage statement and loan information in your records. For information on mortgage interest, see Publication 936, *Home Mortgage Interest Deduction*.

Pensions and Annuities

Use the worksheet in your tax return instructions to figure the taxable part of your pension or annuity. Keep a copy of the completed worksheet until you fully recover your contributions. For information on pensions and annuities, see Publication 575, *Pension and Annuity Income*, or Publication 721, *Tax Guide to U.S. Civil Service Retirement Benefits*.

Taxes

Your Form W-2 shows the state income tax withheld from your wages. If you made estimated state income tax payments, you need to keep a copy of the form. You also need to keep copies of your state income tax returns. If you received a refund of state income taxes, the state may send you Form 1099-G, *Certain Government and Qualified State Tuition Program Payments*.

Keep mortgage statements, tax assessments, or other documents as records of the real estate and personal property taxes you paid.

Tips

You must keep a daily record to accurately report your tips on your return. You can use Form 4070A, *Employee's Daily Record of Tips*, which is found in Publication 1244, *Employee's Daily Record of Tips and Report to Employer*, to record your tips. For information on tips, see Publication 531, *Reporting Tip Income*.

How Long To Keep Records

You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Generally, this means you must keep records that support items shown on your return until the period of limitations for that return runs out.

The period of limitations is the period of time in which you can amend your return to claim a credit or refund or the IRS can assess additional tax. The following table contains the periods of limitations that apply to income tax returns. Unless otherwise stated, the years refer to the period beginning after the return was filed. Returns filed before the due date are treated as being filed on the due date.

| | IF you... | THEN the period is... |
|----------|---|---|
| 1 | Owe additional tax and (2), (3), and (4) do not apply to you | 3 years |
| 2 | Do not report income that you should and it is more than 25% of the gross income shown on your return | 6 years |
| 3 | File a fraudulent return | No limit |
| 4 | Do not file a return | No limit |
| 5 | File a claim for credit or refund after you filed your return | Later of 3 years or 2 years after tax was paid. |
| 6 | File a claim for a loss from worthless securities | 7 years |

Property. Keep records relating to property until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. You must keep these records to figure your basis for computing gain or loss when you sell or otherwise dispose of the property.

Generally, if you received property in a nontaxable exchange, your basis in that property is the same as the basis of the property you gave up. You must keep the records on the old property, as well as the new property, until the period of limitations expires for the year in which you dispose of the new property in a taxable disposition.

Keeping records for nontax purposes. When your records are no longer needed for tax purposes, do not discard them until you check to see if they should be kept longer for other purposes. Your insurance company or creditors may require you to keep certain records longer than the IRS does.

How To Get More Information

You can order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



Personal computer. With your personal computer and modem, you can access the IRS on the Internet at www.irs.gov. While visiting our web site, you can select:

- *Frequently Asked Tax Questions* (located under *Taxpayer Help & Ed*) to find answers to questions you may have.
- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs*) to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)*).
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business*) to receive our electronic newsletters on hot tax issues and news.
- *Small Business Corner* (located under *Tax Info For Business*) to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at [ftp.irs.gov](ftp://ftp.irs.gov).



TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.

- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistors objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.
- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

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- Current tax forms, instructions, and publications.
- Prior-year tax forms, instructions, and publications.
- Popular tax forms which may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1-877-233-6767** or on the Internet at **www.irs.gov/cdorders**. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676**.