

Tax Record Retention Guide

Purpose: This guide outlines how long individuals and businesses should keep common tax and financial records. Retention periods are based on IRS guidance, audit statutes of limitation, and best practices for risk management.

General Rule of Thumb

Keep records **at least 7 years** unless noted otherwise. Some documents should be kept **indefinitely**.

INDIVIDUAL TAX RECORDS

Tax Returns & Supporting Documents

| Document | How Long to Keep | Notes |
|--------------------------------------|------------------|--|
| Federal & State Tax Returns | 7 years | Covers audit window for substantial underreporting |
| W-2s | 7 years | Match to filed returns |
| 1099s (INT, DIV, NEC, MISC, B, etc.) | 7 years | Includes brokerage statements |
| K-1s (1065, 1120-S, 1041) | 7 years | Keep with entity records if owner |
| Proof of Income & Deductions | 7 years | Receipts, mileage logs, charitable gifts |

Property & Investments

| Document | How Long to Keep | Notes |
|---------------------------------|---------------------------|----------------------------------|
| Home purchase & sale documents | Indefinitely | Needed to prove basis |
| Capital improvement records | Indefinitely | Reduces taxable gain |
| Brokerage trade confirmations | 7 years after sale | Keep until asset sold + 7 years |
| Retirement contribution records | Indefinitely | IRA/SEP/Roth basis documentation |

Retirement & Benefits

| Document | How Long to Keep | Notes |
|-----------|---------------------|------------------|
| Form 5498 | Indefinitely | Tracks IRA basis |



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| Document | How Long to Keep | Notes |
|----------------------------|---------------------|-----------------------|
| Form 1099-R | 7 years | Distributions |
| Social Security statements | Indefinitely | Benefits verification |

 **BUSINESS TAX RECORDS (IRS-ALIGNED GUIDANCE)**

The following retention periods **follow IRS guidance** from *"How long should I keep records?"* for businesses, with conservative best-practice notes where appropriate.

 **Tax Filings**

| Document | How Long to Keep | IRS Basis / Notes |
|--|-------------------------|---|
| Business income tax returns (1065, 1120-S, 1120) | At least 3 years | IRS statute of limitations for most returns |
| Records supporting income & deductions | 3 years | From the date the return is filed |
| Records for substantial understatement of income | 6 years | If gross income understated by >25% |
| Unfiled returns | Indefinitely | No statute of limitations |

 **Accounting & Financial Records**

| Document | How Long to Keep | IRS Basis / Notes |
|---|-----------------------------------|--------------------------------------|
| Bank statements & canceled checks | 3 years | Support income & expenses |
| Invoices, receipts, expense documentation | 3 years | Match to filed return |
| General ledger & journals | 3 years | Best practice to retain with returns |
| Contracts & agreements | Life of contract + 3 years | Covers audit window |

Payroll & Employment Taxes

| Document | How Long to Keep | IRS Basis / Notes |
|--|------------------|-------------------------|
| Employment tax records (941, 940, state filings) | 4 years | IRS employment tax rule |

| Document | How Long to Keep | IRS Basis / Notes |
|----------------------------------|------------------|-------------------------------|
| W-2s, W-3s (employer copies) | 4 years | From due date or payment date |
| 1099s issued & W-9s | 4 years | IRS requirement |
| Payroll registers & time records | 4 years | Supports employment taxes |

Assets & Ownership

| Document | How Long to Keep | IRS Basis / Notes |
|--|---|---|
| Fixed asset purchase & improvement records | Life of asset + 3 years after disposal | Needed to prove basis & gain/loss |
| Depreciation schedules | Life of asset + 3 years | Tie directly to asset records |
| Entity formation documents | Indefinitely | Legal & ownership proof |
| Shareholder / partner basis records | Indefinitely | Critical for distributions & sale of interest |

SPECIAL SITUATIONS

IRS Periods of Limitations (Important for Record Retention)

Understanding the IRS statute of limitations helps explain **why certain records must be kept longer than others.**

Period of Limitations for Assessment of Tax (IRS Audits)

- **3 years** – For assessment of tax you owe, the IRS generally has **3 years from the date you filed the return.**
Returns filed before the due date are treated as filed on the due date.
- **6 years** – If you **underreport income by more than 25%** of the gross income shown on the return, **or** the understatement is attributable to **foreign financial assets exceeding \$5,000**, the IRS has **6 years** to assess tax.
- **No time limit** – There is **no statute of limitations** if you file a **fraudulent return** or **do not file a valid return.**



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Period of Limitations for Refund Claims

- **Later of 3 years or 2 years after tax was paid** – A claim for credit or refund must generally be filed **within 3 years from the date the return was filed or 2 years from the date the tax was paid**, whichever is later.

If no return was filed, the claim period is 2 years from the date the tax was paid.

- **7 years** – Claims for refund related to **bad debt deductions** or **worthless securities losses** must be filed **within 7 years** from the date the return was due.

 **Property Records (Individuals & Businesses)**

Property-related documents should generally be kept **much longer than standard tax records**.

| Record Type | How Long to Keep | Why It Matters |
|--|-----------------------------------|---------------------------------------|
| Purchase documents (HUD-1, closing disclosure) | Indefinitely | Establishes original cost basis |
| Capital improvement receipts | Indefinitely | Increases basis, reduces taxable gain |
| Depreciation records | Life of property + 3 years | Supports gain/loss on sale |
| Sale documents | 7 years after sale | Covers audit & refund periods |

Do not discard property records until the property is sold and the statute of limitations has expired.