

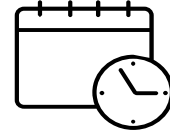
HOW LONG TO KEEP  
TAX RETURNS & RECORDS



CPA GROUP  
OF THE ROCKIES

## GENERAL RULES OF THUMB

The answer depends on the type of document and the kinds of transactions you engage in.



**Keep your tax returns for at least three years.** That's generally how long the IRS has to question items on your return and to bill you for any additional tax. It's also the timeframe to file an amended return to seek a refund. IRS can go back up to six years if your return omits more than 25% of income. If fraud is proved, there is no limit. State tax returns may have to be retained for a longer time period.

**Don't automatically throw out all returns and records after three years.** Look over old documents to see if you might need any parts of them in the future.



**Hold on to records that help establish the adjusted basis of real estate.**

Save your settlement sheet whenever you buy real property, including your home. And don't throw away receipts or invoices for improvements made to the property. Taxpayers who keep good records will find it easier to calculate the adjusted basis of their real estate investments compared with people who don't maintain records. If you have multiple real estate properties, it's best to have separate folders for each.

**Retain the files until at least three years after you dispose of the property. Ditto for securities/investment transactions.** Be sure to keep your purchase documents for taxable mutual funds, stocks and the like. Among other records to maintain: Those showing stock splits, dividend reinvestments and nontaxable distributions. If you invest in bonds or Treasury bills or notes, track when these securities mature.

**If you've made nondeductible payins to IRAs or post-tax payins to 401(k)s...Save records until three years after the accounts are depleted.** We will help you file Form 8606 with your return for the year you make a nondeductible IRA contribution. If you don't, those contributions will be treated the same as deductible payins when withdrawn. Retain copies of Form 8606 and your 1040s for each year that such payins are made. Also hold on to Form 5498 or similar statements reflecting the amount of IRA payouts.

**If you inherit property or receive property as a gift, heed this advice:** For inheritances, you'll need to know date-of-death value. For gifts...the donor's cost. So, keep documentation of these figures until three years after you sell the asset.

**Businesses should hang on to payroll tax records for a minimum of four years** after the due date for filing the Form 941 for the fourth quarter of a particular year.



**Among the information to be retained:** Wage amounts, payment dates and employee data, such as names, employment dates and Social Security numbers. Periods for which workers were paid while absent because of sickness or injury. Copies of all W-4 forms and payroll returns, and amounts and dates of tax deposits. Plus, records of tips earned by workers and fringe benefits provided to employees.

**Records on cost of assets, depreciation, etc., should be retained for decades.**

As always, if you have any questions, please let our team know and we will be happy to assist you.

Source: Taylor, J. (Ed.). (2023, September 14). [The Kiplinger Tax Letter](#).



CPA GROUP  
OF THE ROCKIES