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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 you should 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 Tax Help* in the back 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*.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address.

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We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at *taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Tax questions. If you have a tax question, visit www.irs.gov or call 1-800-829-1040. We cannot answer tax questions at either of the addresses listed above.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the National Distribution Center at the address shown under How To Get Tax Help in the back of this publication.

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 non-business 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 reported. 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 of Tax Return. There is a charge for a copy of a return. For information on the cost and where to file, see the Form 4506 instructions.

If you just need information from your return, you can order a transcript by calling 1-800-829-1040, or using Form 4506-T, Request for Transcript of Tax Return. There is no fee for a transcript. Transcripts are available for the current year and returns processed in the 3 prior years.

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. Table 1 lists documents you should keep as basic records. Following Table 1 are examples of information you can get from these records.

Table 1. **Proof of Income and Expense**

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
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 corpora-

tion distributions. Your records also can prove that certain amounts are not taxable, such as tax-exempt interest.

Note. If you receive a Form W-2, keep Copy C until you begin receiving social security benefits. This will help protect your benefits in case there is a question about your work record or earnings in a particular year. Review the information shown on your annual (for workers over age 25) Social Security Statement.

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 and insurance reimbursements for casualty losses. Your records should also include a copy of Form 2119, Sale of Your Home, if you sold your previous home before May 7, 1997, and postponed tax on the gain from that sale.

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 cash receipt, financial account statement, credit card statement, canceled check, or substitute check. If you make payments in

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

If you make payments by electronic funds transfer you may be able to prove payment with an account statement.

Table 2. Proof of Payment

IF payment is by...	THEN the statement must show the...
Cash	<ul style="list-style-type: none"> • Amount • Payee's name • Transaction date
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
Debit or credit card	<ul style="list-style-type: none"> • Amount charged • Payee's name • Transaction date
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
Payroll deduction	<ul style="list-style-type: none"> • Amount • Payee code • Transaction date

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 reflected in Table 2.

Pay statements. You may have deductible expenses withheld from your paycheck, such as union dues or medical insurance premiums. You should keep your year-end or final pay statements as proof of payment of these expenses.

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*. 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, *Dependent Care Provider's Identification and Certification*, 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 other proof of payment,
- 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.

Cars, boats, and aircraft. If the claimed value of a car, boat, or aircraft you donate to a qualified organization after December 31, 2004, is over \$500, your deduction may be limited. You must have a written acknowledgement of your donation from the organization and must attach it to your return. This also applies to donations of any vehicle manufactured for use on public streets, roads, and highways. You should keep a copy of the acknowledgement for your records.

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.

Education Expenses

If you have the records to prove your expenses, you may be entitled to claim certain tax benefits for your education expenses. You may qualify to exclude from income items such as a qualified scholarship, interest on U.S. savings bonds, or reimbursement from your employer. You may also qualify for certain credits or deductions. For information on qualified education expenses, see Publication 970, Tax Benefits for Education.

Exemptions

If you are claiming an exemption for a person under a multiple support agreement, you must get a signed statement from all other eligible individuals who could have claimed the exemption. You must keep these statements in your records. For information on exemptions, see Publication 501, Exemptions, Standard Deduction, and Filing 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.

Health Savings Account (HSA) and Medical Savings Account (MSA)

For each qualified medical expense you deduct or pay with a distribution from your HSA or MSA, 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, see Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.

Individual Retirement Arrangements (IRAs)

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

- Form 5498, IRA Contribution Information, or similar statement received for each year showing contributions you made, distributions you received, and the value of your IRA(s).
- Form 1099-R, Distribution From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., received for each year you received a distribution.
- Form 8606, Nondeductible IRAs, 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).

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.

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.

Moving Expenses

You may be able to deduct qualified moving expenses that are not reimbursed. For more information on what expenses qualify and what records you need, see Publication 521, Moving Expenses.

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

Form(s) W-2 and Form(s) 1099-R show state income tax withheld from your wages and pensions. You should keep a copy of these forms to prove the amount of state withholding. If you made estimated state income tax payments, you need to keep a copy of the form or your check(s).

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 Payments.

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

If you deducted actual state and local general sales taxes instead of using the optional state sales tax tables, you must keep your actual receipts showing general sales taxes 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. Table 3 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.

Table 3. **Period of Limitations**

	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 Tax Help

You can get help with unresolved tax issues, 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.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate toll free at 1-877-777-4778.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1-800-829-4059 if you are a TTY/TDD user.
- Visit www.irs.gov/advocate.

For more information, see Publication 1546, The Taxpayer Advocate Service of the IRS—How To Get Help With Unresolved Tax Problems.

Free tax services. To find out what services are available, get Publication 910, IRS 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.



Internet. You can access the IRS website 24 hours a day, 7 days a week, at www.irs.gov:

- *E-file* your return. Find out about commercial tax preparation and *e-file* services available free to eligible taxpayers.
- Check the status of your refund. Click on *Where's My Refund*. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your tax return available because you will need to know your filing status and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Search publications online by topic or keyword.
- View Internal Revenue Bulletins (IRBs) published in the last few years.

- Figure your withholding allowances using our Form W-4 calculator.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.



Fax. You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call 703-368-9694 from the telephone connected to your fax machine. When you call, you will hear instructions on how to use the service. The items you request will be faxed to you.

For help with transmission problems, call 703-487-4608.

Long-distance charges may apply.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call 1-800-829-3676 to order current-year forms, instructions, and publications and prior-year forms and instructions. You should receive your order within 10 days.
- *Asking tax questions.* Call the IRS with your tax questions at 1-800-829-1040.
- *Solving problems.* You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.
- *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 and press 2 to listen to pre-recorded messages covering various tax topics.
- *Refund information.* If you would like to check the status of your refund, call 1-800-829-4477 and press 1 for automated refund information or call 1-800-829-1954. Be sure to wait at least 6 weeks from the date you filed your return (3 weeks if you filed electronically). Have your tax return available because you will need to know your filing status and the exact whole dollar amount of your refund.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to sometimes listen in

on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every business day to ask tax questions or get help with a tax problem. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. You can set up an appointment by calling your local Center and, at the prompt, leaving a message requesting Everyday Tax Solutions help. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to www.irs.gov/localcontacts or look in the phone book under *United States Government, Internal Revenue Service*.



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CD-ROM for tax products. You can order Publication 1796, IRS Federal Tax Products CD-ROM, and obtain:

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

Buy the CD-ROM from National Technical Information Service (NTIS) at www.irs.gov/cdorders or call 1-877-233-6767 toll free to buy the CD-ROM. The first release is available in early January and the final release is available in late February.



CD-ROM for small businesses. Publication 3207, The Small Business Resource Guide, CD-ROM 2004, is a must for every small business owner or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions, and publications needed to successfully manage a business. In addition, the CD provides other helpful information, such as how to prepare a business plan, finding financing for your business, and much more. The design of the CD makes finding information easy and quick and incorporates file formats and browsers that can be run on virtually any desktop or laptop computer.

It is available in early April. You can get a free copy by calling 1-800-829-3676 or by visiting www.irs.gov/smallbiz.