

Abstract: Taxpayers who have filed their 2021 tax returns may be eager to start clearing out some tax-related paper clutter. Paring down is a good idea, as long as essential records that may be needed in the event of an IRS audit are kept. Some documents may help with collecting a future refund or assist taxpayers with filing next year. This article provides an outline of the documents that should be kept — for how long — and the papers that can be thrown away.

After filing your taxes, what records can you toss?

If you've filed your 2021 tax return, you may want to do some spring cleaning, starting with tax-related paper clutter. Paring down is good. Just be careful to hold onto essential records that may be needed in the event of an IRS audit. Some documents may be needed to help you collect a future refund or assist with filing your return next year. Before you start tossing or shredding documents, read the rules to learn what must be kept — for how long — and what can be safely discarded.

The general rules

At a minimum, you should keep tax records for as long as the IRS can audit your tax return or assess additional taxes. That's usually three years after you file your return. This means you potentially can get rid of most records related to tax returns for 2018 and earlier years.

However, the statute of limitations extends to six years for taxpayers who understate their adjusted gross income by more than 25%. What constitutes an understatement may go beyond simply not reporting items of income. So, to be safe, a general rule of thumb is to save tax records for six years from filing.

Keep some records longer

You need to hang onto some tax-related records beyond the statute of limitations. For example:

- Keep the tax returns themselves indefinitely, so you can prove to the IRS that you did file a legitimate return. (If you didn't file a return or if you filed a fraudulent return, there's no statute of limitations.)
- Retain W-2 forms until you begin receiving Social Security benefits. That may seem long, but if questions arise regarding your work record or earnings for a particular year, you'll need your W-2 forms to help provide the documentation needed.
- Keep records related to real estate or investments for as long as you own the assets, plus at least three years after you sell them and report the sales on your tax return (or six years if you want extra protection).
- Hang onto records associated with retirement accounts until you've depleted the accounts and reported the last withdrawal on your tax return, plus three (or six) years.
- Retain records that support figures affecting multiple years, such as carryovers of charitable deductions or casualty losses. These need to be saved until they no longer have effect, plus seven years.

If you're still not sure about a specific document feel free to ask us.

Other reasons to retain records

Keep in mind that these are the federal tax record retention guidelines. Your state and local tax record requirements may differ. In addition, lenders, co-op boards and other private parties may require you to produce copies of your tax returns as a condition of lending money, approving a purchase or otherwise doing business with you. Contact us with questions or concerns about recordkeeping.

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