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## **Records to Keep**

When a taxpayer receives an audit notice from the IRS, the reaction may be to panic because vital records are missing that are needed to refute an IRS contention that taxes are owed. Accordingly, we thought it would be useful for clients to have a list of records that should be retained. These include:

- \*Employment related records including Forms W-2, 1099-R for retirement payouts, and the 1099's for freelance income.
- \*Forms 1099 that reflect interest and dividend income or the sale of stock, together with stock brokerage statements and other documents pertaining to income you must report.
- \*Canceled checks and receipts to support your deductions for charitable contributions, mortgage interest and medical expenses and for credits such as child care credit. Also keep records of medical insurance including premium payment and reimbursements, bank statements regarding mortgage payments and interest and written acknowledgments from the charity for gifts of \$250 or more.
- \*Canceled checks if you pay alimony, together with copies of the divorce decree or other legal documents that describe the basis for the payment and the name and address of the ex-spouse.
- \*Deeds, closing statements, invoices, canceled checks in connection with a home purchase, improvement or sale.
- \*If you have a business, you must keep compensation records for each employee and taxes withheld and paid, sales receipt for assets acquired and the basis and amount of depreciation or write-off taken each year, and itemized bills and receipts for travel and entertainment expenses supported by a diary showing the time, place, business purpose, and business relationship of people you entertained. The diary should also indicate the proportion of the trip spent on business.

Most individual taxpayers should retain their tax records for six years (the statute of limitation, if there is under reporting of 25% or more of gross income), while business owners might retain business tax records for 11 years (the maximum time for IRS assessment and collection of taxes and the time frame in which to make a refund claim after payment)

Records pertaining to real estate should be retained as long as one owns the property.

Since this description has to necessarily abbreviated because of space limitations, you may want to check with us before discarding any records.