

What tax records can you throw away?

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October 15 is the deadline for individual taxpayers who extended their 2019 tax returns. (The original April 15 filing deadline was extended this year to July 15 due to the COVID-19 pandemic.) If you're finally done filing last year's return, you might wonder: Which tax records can you toss once you're done? Now is a good time to go through old tax records and see what you can discard.

The general rules

At minimum, you should keep tax records for as long as the IRS has the ability to audit your tax return or assess additional taxes, which generally is three years after you file your return. This means you potentially can get rid of most records related to tax returns for 2016 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 a general rule of thumb is to save tax records for six years from filing, just to be safe.

Keep some records longer

You need to hang on to 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 actually filed a legitimate return. (There's no statute of limitations for an audit if you didn't file a return or if you filed a fraudulent one.)
- Retain W-2 forms until you begin receiving Social Security benefits. Questions might arise regarding your work record or earnings for a particular year, and your W-2 helps 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).
- Keep 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.

Other reasons to retain records

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 to lending money, approving a purchase or otherwise doing business with you.

Please contact us if you have questions or concerns about recordkeeping.

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The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com