



Recordkeeping for Tax Purposes

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Which records should you keep? You should keep information that you and the IRS need to determine your correct tax. Everyone should keep the following records.

Copies of tax returns. Keep copies of your tax returns as part of your tax records.

- Your tax returns can help you prepare future returns and amended returns.
- After you die, copies of your tax returns and other records can be helpful to your survivors or the executor or administrator of your estate.

Proof of income and expenses. Listed below are examples of income and expense documents you should keep. The list is not all inclusive.

Income	<ul style="list-style-type: none"> • Forms W-2, 1099, and Schedules K-1 • Bank and brokerage statements • Business and hobby income records • Records relating to sale of business property
Expenses	<ul style="list-style-type: none"> • Sales slips, invoices, receipts • Cancelled checks or other proof of payment
Deductions	<ul style="list-style-type: none"> • Medical expenses • Real estate tax records • Mortgage interest
Donations	<ul style="list-style-type: none"> • Details of cash and noncash contributions • Written communications from qualified charities
Your Home	<ul style="list-style-type: none"> • Closing statements, including any refinance documents • Purchase and sales invoices • Receipts for improvements • Insurance records
Investments	<ul style="list-style-type: none"> • Brokerage statements • Form(s) 1099 and 2439 • Mutual fund statements • Other basis documentation
IRAs	<ul style="list-style-type: none"> • Forms 1099-R, 5498, and 8606 for each year.

Records for Special Situations

Some items require specific records, in addition to the basic records of income and expenses.

- **Alimony.** If you pay or receive alimony, keep a copy of your written separation agreement or the divorce, separate maintenance, or support decree.
- **Business use of your home.** Keep records that show which part of your home is used for business and the expenses related to that use. Child care providers should also keep track of hours open for business, as well as hours spent in preparation and clean up.
- **Gambling.** Keep an accurate diary of winnings and losses. Required information includes:
 - Date and type of gambling activity.
 - Gambling establishment name and address, and names of persons present with you.
 - Amount you won or lost.
- **Tax credits.** Each tax credit includes special recordkeeping requirements. Examples include:
 - Provider’s name, address, and taxpayer ID number for the Child and Dependent Care Credit.
 - Physician’s certification for the Credit for the Elderly or the Disabled.
 - School records for the education credits.
- **Vehicle records.** If you use your own car for business, medical transportation, or qualifying volunteer work, keep a mileage log that includes the date, destination, and purpose of each trip. You also need to know how many miles you drove for other purposes, such as commuting and personal use. Your vehicle records should include purchase or lease papers and loan records. You may receive a larger deduction if you keep records of gas purchases, maintenance costs, etc., in addition to mileage.

What is Proof of Payment?

The records you keep provide the documentation to support the deductions and expenses claimed on your tax return. You must always keep documentation of the reason for the payment. Other documents, such as statements and receipts, will help establish that the item is allowable on your tax return.

If You Pay With	Then the Statement Must Show
Cash	Amount, payee name, transaction date
Check	Check number, amount, payee’s name, date the check was posted to your account
Debit or Credit Card	Amount charged, payee’s name, transaction date
Electronic Funds Transfer	Amount transferred, payee’s name, date, the transfer was posted to your account
Payroll Deduction	Amount, payee code, transaction date

- **Account statements.** Account statements from your financial institution are acceptable as proof if they provide the information shown above.
- **Pay statements.** You may have deductible expenses withheld from your wages, such as medical insurance premiums and charitable contributions. Keep year-end or final pay statements to prove payment of these items.
- **Mortgage interest.** Form 1098, *Mortgage Interest Statement*, documents mortgage interest you paid. Be sure to verify that the amount is correct.