GUIDE

How long to keep tax and business records

Keep tax returns and their supporting records for at least three years after you file, because that's how long the IRS usually has to audit. Keep them six years if you might have left out more than 25% of income, and seven for bad debt or worthless securities. Keep payroll records four years, and formation papers permanently.

QUICK FACTS

- **Most records.** Three years from the date you filed
- **Payroll records.** Four years after the tax is due or paid
- **Keep forever.** Formation papers, returns and ownership records

How long should I keep tax records?

The IRS ties record keeping to how long it can assess more tax, called the period of limitations.

SITUATION	KEEP RECORDS FOR
Normal case	3 years from the date you filed, or the due date if later
You claim a loss from worthless securities or bad debt	7 years
You left out income of more than 25% of what you reported	6 years
You didn't file a return	Indefinitely
You filed a fraudulent return	Indefinitely
Employment tax records	At least 4 years after the tax is due or paid
Property records (buildings, equipment, investments)	Until 3 years after the year you sell or dispose of it

General information, not tax advice for your situation.

What should a business keep, and for how long?

RECORD	SUGGESTED RETENTION
Tax returns	Permanently, to prove what you filed
Bank and credit card statements	7 years
Receipts and invoices backing deductions	7 years
Payroll records, W-2s, W-4s and 941s	4 years at least, 7 is safer
1099s sent and received	4 years
Fixed asset and depreciation records	Life of the asset plus 3 years
Formation papers, operating agreement, EIN letter	Permanently
Contracts and leases	Life of the contract plus 7 years

Seven years for financial records covers the six-year rule with a margin. Lenders, buyers and state tax agencies may also ask for older records, and some states keep returns open longer than the IRS.

Can I keep records digitally?

Yes. Scans and photos are accepted if they're complete, readable and you can produce them on request. Keep backups in a second place. Your accounting software holds much of this already, which is one reason to keep your books monthly. Our year-end bookkeeping checklist covers what to file away each year.

Common questions

How many years should I keep tax returns?
At least three years after filing, and longer in some cases. Many owners keep the returns themselves permanently and the backup for seven years.

How long do I keep payroll records?
At least four years after the tax is due or paid. Many employers keep them seven years.

Can I throw away receipts after seven years?
Usually, yes, unless they support property you still own or a return that's still open.

Are digital copies enough for the IRS?
Yes, if they're complete and legible and you can produce them when asked.

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