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Sample article for organizations to use to reach customers

Customize and post the following article on your websites and/or use in other communication vehicles, to assist your customers in keeping good tax records.

Keeping good tax records is important

Good recordkeeping throughout the year saves you time and effort at tax time when organizing and completing your return.

Why keep records?

There are many reasons to keep household records and track expenditures.

Well-organized records also make it easier to prepare a tax return and provide the right answers if the IRS contacts you. You must keep your records as long as they may be needed for the administration of any provision of the Internal Revenue Code. The IRS reminds taxpayers that all requirements that apply to hard copy records apply when you maintain tax books and records electronically.

Here are some tips from the IRS about keeping good records:

1. You should keep Forms W-2, Forms 1099 or other statements to document income. You should also keep bills, credit card and other receipts, invoices, mileage logs, canceled, imaged or substitute checks, proofs of payment and any other records to support deductions or credits you may claim on your return. Refer to Publication 552, Table 1, *Proof of Income and Expense* for more information.
2. It's important to keep records for proof of payment to support certain amounts shown on your tax return. You also should keep documents that help prove that the item is allowable. Refer to Publication 552, Table 2, *Proof of Payment,* for more information.
3. The general rule is to keep tax records for three years. However, check out Publication 552, Table 3, Period of Limitations, for specific details.
4. You should keep some documents longer, such as records relating to a home purchase or sale, stock transactions, IRA and business or rental property.

Good records will help you…

1. Identify sources of income. You may receive money or property from a variety of sources. Your records can identify the sources of your income. You need this information to separate business from non-business income and taxable from non-taxable income.
2. Keep track of expenses. You may forget an expense unless you record it when it occurs. You can use your records to identify expenses that you can claim as a deduction. This will help you determine if you can itemize deductions on your tax return.
3. Keep track of the basis of property. You need to keep records that show the basis of your property. This includes the original cost or other basis of the property and any improvements you made.

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Good recordkeeping will help you explain any item at tax time and arrive at the correct amount of tax with a minimum amount of time and effort. If you do not have records, you may have to spend time getting statements and receipts from various sources. If you cannot produce the correct documents, you may have to pay additional tax and be subject to interest and penalties.

NOTE TO EDITOR: *Below are links to information about recordkeeping.*

IRS.gov:

- *Publication 583, Starting a Business and Keeping Records (pdf)*
- *Publication 463, Travel, Entertainment, Gift, and Car Expenses*
- *Tips for Managing Your Tax Records*
- *Tax Topic - Topic 305: Recordkeeping*

IRS YouTube – To embed a video about Recordkeeping, click for English or Spanish