Keeping Good Records Reduces Stress at Tax Time

Although most people won't be filing their tax returns for several months, the dog days of summer are actually a great time to start planning for the tax filing season by ensuring your records are organized. Whether you are an individual taxpayer or a business owner, you can avoid headaches at tax time with good records because they will help you remember transactions you made during the year.

Here are a few things the IRS wants you to know about recordkeeping.

Keeping well-organized records also ensures you can answer questions if your return is selected for examination or prepare a response if you are billed for additional tax. In most cases, the IRS does not require you to keep records in any special manner. Generally speaking, you should keep any and all documents that may have an impact on your federal, state, and local tax returns.

Individual taxpayers should usually keep the following records supporting items on their tax returns for at least three years for IRS, and some states require longer:

- Bills
- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or any other proof of payment
- Any other records to support deductions or credits you claim on your return

You should normally keep records relating to property until at least three years after you sell or otherwise dispose of the property. Examples include:

- A home purchase or improvement
- Stocks and other investments
- Individual Retirement Arrangement transactions
- Rental property records

If you are a small business owner, you must keep all your employment tax records for at least four years after the tax becomes due or is paid, whichever is later. Examples of important documents business owners should keep Include:

- Gross receipts: Cash register tapes, bank deposit slips, receipt books, invoices, credit card charge slips and Forms 1099-MISC
- Proof of purchases: Canceled checks, cash register tape receipts, credit card sales slips and invoices
- Expense documents: Canceled checks, cash register tapes, account statements, credit card sales slips, invoices and petty cash slips for small cash payments
- Documents to verify your assets: Purchase and sales invoices, real estate closing statements and canceled checks

As a safe guard keeping records for 10 years is a good idea for personal records because sometimes you may need them for other information besides income tax purposes. You should keep gift tax returns and records for your estate as they are needed for the filing of the estate return.

For more information about recordkeeping contact your local Enrolled Agent, <u>(enter your name)</u> at <u>(enter your address and phone number.)</u>

<u>If a group of you want to enter a group picture and your names above you may do so, or you can enter the following paragraph</u>:

For more information about recordkeeping contact an Enrolled Agent near you by visiting the Ohio State Society of Enrolled Agents' web site at www.ossea.org.

By Frances E. Foust, Enrolled Agent

<u>You may modify the last paragraph of the article to suit your needs. Always try to add a picture because it draws attention to the article.</u>