

Record Retention for Individuals

The normal statute of limitations for Federal tax returns is 3 years from the due date of the return or the date filed, whichever is later. So a tax return filed timely on or before April 15th will “expire” on April 15th three years later. A return filed after April 15th will “expire” three years from the date of filing of that return.

This normal time frame of three years increases to six years if there is a 25% omission of gross income in a particular year and there is no statute of limitations if it is determined that fraud was involved in the filing of the return or a return has never been filed.

The normal statute of limitations for your California return is 4 years.

Therefore, to help you in maintaining the proper records should they become necessary, here are the recommended retention periods for various documents:

Keep the following documents permanently

Copies of Federal and State income tax returns, including W-2s and 1099s
Retirement plan annual reports
IRA annual reports
IRA nondeductible contributions Form 8606

Keep the following documents for the period of ownership plus 4 years

Investment purchase and sales confirmations
Dividend reinvestment records
Year-end brokerage statements
Mutual fund annual statements
Investment property purchase documents
Home purchase documents
Home improvement receipts and cancelled checks

Keep the following documents for 4 years

Cancelled checks supporting tax deductions (If your bank does not return your cancelled checks, be sure to keep the transaction register or keep track of the check number so that the copy can be ordered from the bank)
Bank deposit slips
Bank statements
Charitable contribution documentation, especially if you contributed an appreciated asset that required separate appraisal information
Credit card statements
Receipts, diaries, and/or logs pertaining to items reflected on the tax returns.

Be sure to properly dispose of this information. Do not just throw them away, but rather shred these items using either a personal shredder or a shredding company.