

Record Retention Policy

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The official answer is the following: "Taxpayers must keep records as long as they may be needed for the administration of any provision of the Internal Revenue Code." Some books and records of a business may be material for tax purposes for an indefinite period of time. The IRS recommends that copies of filed returns be kept indefinitely. The general time requirements can be separated into two categories:

1. Records of Property

Records of property, required to determine a basis to compute gain or loss upon disposition, depreciation, or amortization, must be kept until a taxable disposition is made. After the disposition, the time requirements listed below apply:

2. Records of Income, Deductions, and Credits

At a minimum, records of income, deductions, and credits appearing on a tax return should be kept until the statute of limitations expires on the tax returns. Generally, tax must be assessed within three years of the date the return is filed or two years after payment, whichever is later. A claim for refund or credit must be filed within three years after the date the return is filed or two years after payment was made, whichever is later.

If the taxpayer.....	Then the period is...
1. Owes additional tax and 2, 3 and 4 do not apply	3 years
2. Does not report income and is 25% of Return Gross Income	6 Years
3. Files a fraudulent return	No limit
4. Does not file a return	No limit
5. Files a claim for credit or refund after filing the return	Later of 3 yrs or 2 yrs after tax.
6. Files a claim for a loss from worthless securities	7 years
7. Has employment records	4 yrs after tax due or paid

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