Tax Record Retention Guide

A practical framework for retaining tax, accounting, payroll, property, and entity records.

What this resource helps you do

Match records to the event they support, preserve long-lived basis and entity information, apply federal limitation periods thoughtfully, and destroy records securely when retention ends.

Designed for

Individuals and owner-managed businesses establishing a repeatable tax-record retention policy. Other legal, regulatory, contractual, insurance, and industry rules may require longer periods.

Use with professional judgment

This resource is an organization and readiness aid. It does not replace tax advice, determine eligibility, or address every federal, state, local, or industry-specific requirement.

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1. Start with the rule behind the record

The IRS generally requires records supporting income, deductions, or credits to be retained until the applicable period of limitations expires. The period can differ based on the return, claim, omission, asset, or filing behavior involved.

Do not use one blanket destruction date

A receipt may support a current deduction, a depreciable asset, the basis of property sold years later, a payroll filing, or a credit with carryforwards. Classify the event before assigning retention.

Federal limitation situation	IRS period
General income-tax support	Generally 3 years after the return was filed; returns filed early are generally treated as filed on the due date
Refund claim after filing	3 years from filing or 2 years from tax payment, whichever is later
Worthless securities / bad debt deduction	7 years
Substantial omitted income	6 years when unreported income exceeds 25% of gross income shown on the return
No return filed	Indefinitely
Fraudulent return	Indefinitely
Employment tax records	At least 4 years after the tax becomes due or is paid, whichever is later

These are federal income-tax limitation concepts, not universal destruction rules. State tax, payroll, sales tax, unclaimed property, grant, loan, insurance, licensing, litigation-hold, and other obligations may extend retention.

2. Records connected to property

- [ ] Acquisition: Purchase/closing statements, invoices, title, legal fees, surveys, appraisals, allocation schedules, financing, and initial placed-in-service information.
- [ ] Improvements: Capital project invoices, permits, contracts, engineering/design costs, placed-in-service dates, and allocation between land, building, equipment, and other components.
- [ ] Depreciation: Tax depreciation schedules, elections, business-use percentages, cost-segregation studies, credits, and recapture history.
- [ ] Ownership changes: Gifts, inheritance, divorce transfers, entity contributions/distributions, exchanges, casualty adjustments, and carryover/substituted basis records.
- [ ] Disposition: Sale/closing statements, commissions, legal fees, payoff statements, installment terms, trade-in detail, and final gain/loss computation.

Property rule

Generally keep property records until the limitation period expires for the return year in which the property is disposed of. For nontaxable exchanges and substituted-basis transactions, retain both the old and replacement-property records through the final disposition period.

3. Practical retention matrix

Record class	Retention approach	What to preserve
Filed tax returns and major elections	Permanent practical file	Supports carryforwards, elections, basis, audits, financing, and future amendments
Income, deduction, and credit support	At least through the applicable federal/state limitation period	Use the longer period when facts trigger 6- or 7-year rules
Entity formation and governance	Permanent while active; retain after dissolution based on legal advice	Formation, EIN, elections, governing documents, ownership ledger, minutes, and dissolution
Property and depreciation	Through disposition plus the applicable return limitation period	Includes predecessor property and carryover-basis records
Payroll and employment taxes	At least 4 years federally; verify other laws	Payroll registers, Forms W-2/W-3, 941/940, deposits, benefits, and worker data
Retirement and benefit plans	Plan-specific; often long-term or permanent core file	Plan documents, amendments, testing, filings, participant and distribution records
Debt and financing	Life of obligation plus limitation period for affected returns	Agreements, modifications, guarantees, fees, interest, forgiveness, and payoff
Owner basis and equity	Permanent rolling file	Contributions, distributions, loans, repayments, stock/partnership basis, suspended losses
Fixed-asset purchase support	Property rule	Invoice, payment, business use, placed-in-service date, financing, and disposition
Bank and credit-card support	Limitation period unless tied to a longer-lived item	Statements, reconciliations, canceled checks, deposits, and merchant reports
Legal claims and settlements	Through final resolution plus advice-based period	Apply litigation holds; preserve allocation, tax treatment, and insurance recovery support

4. Digital record controls

- ☐ Readable format: Preserve records in a format that remains accessible. Test exports and avoid relying only on an app subscription or vendor portal.
- ☐ Source fidelity: Keep the issuer statement, invoice, contract, or receipt—not only a spreadsheet total or screenshot of a bank transaction.
- ☐ File naming: Use year, entity/property, counterparty, document type, and a short identifier. Apply the same structure across the organization.
- ☐ Version control: Distinguish drafts from filed returns, final reconciliations, signed agreements, and approved adjusting entries.
- ☐ Security: Restrict access to taxpayer IDs, payroll, bank, health, and legal records. Use multifactor authentication and encrypted storage where appropriate.
- ☐ Backup: Maintain protected backups and periodically test recovery. Retention without recoverability is not an effective control.
- ☐ Legal hold: Suspend routine destruction when litigation, audit, examination, claim, investigation, or subpoena is pending or reasonably anticipated.

5. Annual retention workflow

Step	Action	Control
1	Classify	Assign each record to a tax/event class rather than a folder labeled only by year
2	Calculate	Determine the relevant filed/due/paid/disposition date and applicable limitation period
3	Overlay	Check state, legal, payroll, contract, insurance, grant, licensing, and industry requirements
4	Hold	Identify active audits, claims, notices, litigation, transactions, and other destruction suspensions
5	Approve	Require an authorized reviewer to approve destruction; document the policy and disposition date
6	Destroy	Use secure, irreversible destruction for paper and electronic records; retain a destruction log

Practical recommendation

Keep a permanent core file for filed returns, entity/ownership documents, major elections, basis and carryforward schedules, property history, and signed transaction documents. This reduces the risk that technically expired support is still needed for a later computation.

Authoritative guidance

- IRS — How long should I keep records?
  https://www.irs.gov/businesses/small-businesses-self-employed/how-long-should-i-keep-records
- IRS — What kind of records should I keep?
  https://www.irs.gov/businesses/small-businesses-self-employed/what-kind-of-records-should-i-keep
- IRS Publication 583 (Rev. December 2025), Starting a Business and Keeping Records
  https://www.irs.gov/pub/irs-pdf/p583.pdf
- IRS Publication 17 (2025), Your Federal Income Tax
  https://www.irs.gov/publications/p17

Important: This guide summarizes general federal tax concepts and a practical governance approach. It is not a legal opinion or a complete retention schedule. Confirm state, employment, regulatory, contractual, insurance, and litigation requirements before destruction.