



Recordkeeping

Why should I keep records?

Good records will help you monitor the progress of your business, prepare your financial statements, identify sources of income, keep track of deductible expenses, keep track of your basis in property, prepare your tax returns, and support items reported on your tax returns.

What kinds of records should I keep?

You may choose any recordkeeping system suited to your business that clearly shows your income and expenses. Except in a few cases, the law does not require any special kind of records. However, the business you are in affects the type of records you need to keep for federal tax purposes.

How long should I keep records?

The length of time you should keep a document depends on the action, expense, or event the document records. You must keep your records as long as needed to prove the income or deductions on a tax return.

How should I record my business transactions?

Purchases, sales, payroll, and other transactions you have in your business generate supporting documents. These documents contain information you need to record in your books.

What is the burden of proof?

The responsibility to substantiate entries, deductions, and statements made on your tax returns is known as the burden of proof. You must be able to prove certain elements of expenses to deduct them.

How long should I keep employment tax records?

Keep all records of employment taxes for at least four years.

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