

Keeping of Financial Records in Relation to Income Tax Returns:

One year: paystubs until checked against W-2 for the year. Should also check against 401(K)s, IRAs, etc. to make sure all deductions from pay reflected as contributions to these.

Three years from return due date, actual filing date, or date of last payment of tax due on the return, whichever is later: tax return and supporting documentation, including W-2s, 1099s, 1098s, evidence of deductions (receipts, cancelled checks, etc.), and evidence of basis in any property sold.

The basis of inherited property is generally the property's fair market value on the date of the decedent's death. For gifted property, the basis is generally the same as the donor's basis. Therefore, records pertaining to these are kept from inheritance/receipt to sale, plus the three years described herein.

Six years from return due date, actual filing date, or date of last payment of tax due on the return, whichever is later: tax return and supporting documentation, in cases in which there is underreporting of income by at least 25%.