

Florida Today article 10-4-12 (Be cautious cleaning office clutter)

Hey “Dan the tax man”, I am ready to get rid of some old paperwork that is clogging up my office. What do I need to keep and how long should I keep those documents?

Wow! If I could have a nickel for every time I am asked that question I could be a millionaire, but it is a good question. First let’s talk about what you need to keep. There are many different types of records to consider that you have in your business. There are HR, Payroll, Tax return, bookkeeping, insurance and corporate records. In general, you should keep most documents for at least 7 years. When it comes to tax returns (income, payroll, W-2s, etc.), corporate records (e.g. corporate minutes, annual reports and partnership agreement, etc.) and financial statements, you should be keeping these items permanently.

Next let’s talk about how you can store these documents. Most of the documentation we receive in our businesses to record payments we make or receive are generally through receipts or invoices. If you get a cash register receipt, it is printed through either a carbon copy or thermal printing. Have you ever seen how well these things hold up over time in the sun or heat of a car? They are usually pretty illegible after 30 days (maybe even after 7 days). My suggestion, is to get in the habit of scanning these documents into your computer (or have someone do it for you). If you are audited by the IRS or even Florida Department of Revenue (FDOR) they will accept documentation electronically. In fact, they are getting to the point where they almost prefer it. But a few words of caution. Please make sure that you are backing up the data on your hard drive regularly (this means daily and at a minimum weekly). You can use an external hard drive or online backup service.

If you cannot prove documentation on paper or electronically to the auditor, they will generally deny the deduction. Keep in mind a credit card or bank statement is helpful, but it does not prove what you bought from that vendor and may not be allowed by the auditor. If you are still unsure or have further questions, please be sure to contact your tax advisor.