

Record-keeping requirements



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Why is record keeping important?

- Keeping records of your income and deductions will help you prepare an accurate tax return and pay the correct tax.
- You must be able to prove all items on your return with adequate records or sufficient evidence. Keep records that verify the income, deductions, credits, and other items reported on your tax return. Estimates or approximations do not qualify as proof.
- Accurate records will help you if the department selects your tax return for examination. Usually, an examination will occur one to three years after a return is filed. It can be longer if you have had a federal audit. If you've kept good records, you can clear up any questionable items and easily arrive at the correct tax. If you haven't, you may have to spend time getting statements and receipts from various sources. You may also have to pay more tax if you can't prove the figures you used.

How should I keep my records?

You must keep accurate records, but no particular system is required for keeping them. Your records should contain all the information you used to figure your income, deductions, credits, and other items shown on your income tax return.

What records should I keep?

If you report an item on your tax return, you must have adequate records to verify it. Here's a partial list of records you should keep:

- Receipts and sales documents for deductible expenses on Schedule A, self-employment, farm, rentals, sale of assets, etc.
- Dated and signed receipts for any cash payments that might be deductible.
- Income statements, including Form W-2s for your wages and Form 1099s for interest, dividends, rents, and nonemployee compensation.
- All payroll records including copies of W-2s and 1099s issued.
- Pay statements if you have deductible expenses withheld from your paycheck.

- Receipts and certificates to verify Oregon tax credits claimed.
- Copies of your tax returns, including complete federal returns with all federal schedules.
- Worksheets, summary statements, calendars, log books, journals, etc.
- Cancelled checks, substitute checks or carbon copies of checks, bank deposit slips, and receipts.
- Checking and savings account statements for both personal and business accounts.
- If you deduct alimony payments, keep copies of canceled checks and the written separation agreement or the divorce, separate maintenance, or support decree.
- For property you own, keep the purchase price, any purchase expenses, the cost of any improvements, and any other basis adjustments, such as depreciation and deductible casualty losses. If you received property as a gift, you must have records that show the donor's adjusted basis just before the property was given to you, its fair market value on the date of the gift, and any gift tax paid on it.
- The sale of a capital asset (and certain other assets). This type of sale is reported as a capital gain or loss. Your records must show when and how the asset was acquired, how it was used, and when and how it was disposed of. Records must also show your cost or other basis, the gross selling price, and the expenses of the sale.
- Year-end statements showing total interest paid on loans, credit cards, mortgages, or notes.
- Statements and canceled checks, mortgage statements, and other documents for your real estate and personal property taxes paid.
- Proof of payment to your child care provider if you are claiming the Oregon working family child care credit.

How do I document deductible expenses?

A receipt is the best evidence to prove the amount of an expense. A canceled check, together with a bill or invoice from the payee, ordinarily establishes the

cost. However, a canceled check might not prove a business expense without other evidence to show that it was for a business purpose. All records should show:

- The date,
- The amount, and
- The purpose of the expense.

The expense must be an ordinary and necessary expense.

How do I document car or truck expenses?

You must have written records to verify vehicle expenses. To deduct car or truck expenses, you must be able to prove:

- The amount of each separate expense for a vehicle, such as the cost of purchase, capital improvements, lease payments, maintenance, and repairs.
- The mileage for each business or investment use of the vehicle and the total miles for the tax year.
- The date of the expense or use. For example, a current trip log.
- The business or investment reason for the expense or use of the vehicle.

Keep the proof you need for these items in an account book, diary, log, statement of expense, trip sheet, etc. Include all documents needed to verify the item.

How long should I save my records?

Keep your records as long as they are important for any tax law. Keep records that support an item of income or a deduction on your return at least until the statute of limitations expires for that return. A statute of limitations is the period of time after which no legal action can be brought. Usually this is three years from the date the return was filed, or two years from the date the tax was paid, whichever is later. Returns filed before the due date are treated as if they were filed on the due date.

Exceptions: There are times you should keep records longer, including the following:

- Keep records that support your basis in property for at least four years after you sell or dispose of the property (including all capital improvements).
- If you were audited by the federal government, Oregon has two years from the date the department receives the federal audit report to review your Oregon return for adjustments.
- If you have employees, we recommend you keep all of your employment tax records for at least five years after the date the tax becomes due or is paid, whichever is later. This includes copies of Wage and Tax Statements (W-2s) and all payroll records.
- If you did not report some income and it is more than 25 percent of the income shown on your return, you may be audited within five years after the return was filed. If a return is false or fraudulent or if no return is filed, there is no time limit.

What if I do not have all of my records?

If records have been destroyed and your return is selected for review, the auditor will advise you about reconstructing your records.

Taxpayer assistance

General tax information www.oregon.gov/DOR
Salem 503-378-4988
Toll-free from an Oregon prefix..... 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon..... 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from an Oregon prefix..... 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.