

February's Tax Tip - Stay Organized

Source Documents

What are source documents? **Source documents** are items which support your business activity including expenses which a business writes off against income. The IRS has and will continue to disallow expenses reported on a tax return that are not supported with a paper receipt. This supporting document must include the following:

- Description of item purchased
- Name of the purchaser (business)
- Date of purchase
- Who the business purchased the product or service from

Saving these valuable documents electronically has become more convenient - on a desk top drive, a server, data drive or in the cloud. All valuable source documents (revenue receipts, expenses, loan documents, accounting data files, etc.) must be retained for 5 - 7 years, per the IRS, for any potential audit purpose as well as company reference.

Electronic Filing Systems

Online access to bank records, credit cards, Amazon, PayPal accounts, etc., bring with it an assumption that these documents will be there forever or at least the 5-7 years, if needed. This is, in fact, not the case. For example many banks will only have an account's bank statements available for access, 12-24 months. Any statement beyond that period will cost you to retrieve.

Retrieving these documents during an audit adds unneeded stress to an already stressful situation. Handling record retention on a daily and weekly basis in a central location reduces this stress in time of need.

Universal document format for email and online receipts is Adobe PDF. **CutePDF Writer** is a great tool you can install as a printer to convert documents to this format to keep them accessible over time even when the software that originally supported the document disappears.

Interested in getting started this year? **Read How to Organize Your Computer Documents.**

Source Documents <http://www.netmba.com/accounting/fin/process/source/>
Cute PDF Writer <http://www.cutepdf.com/Products/CutePDF/writer.asp>
How to Organize Your Computer Documents <http://computerorganizing.com/>

Source: <http://www.officiency.com/>