

# Good Recordkeeping is just good business!

Recordkeeping is an important part of running a small business. In fact, keeping good records helps business owners make sure their business stays successful.

Here are some things small business owners should remember about recordkeeping:

- Good records will [help business owners](#):
  - Monitor the progress of their business
  - Prepare financial statements
  - Identify income sources
  - Keep track of expenses
  - Prepare tax returns and support items reported on tax returns
- Small business owners may choose any recordkeeping system that [fits their business](#). They should choose one that clearly shows income and expenses. Except in a few cases, the law does not require special kinds of records.
- How [long an owner should keep a document](#) depends on several factors. These factors include the action, expense and event recorded in the document. The IRS generally suggests taxpayers keep records for three years.
- A good recordkeeping system [includes a summary of all business transactions](#). Businesses usually record these transactions in books called journals and ledgers, which business owners can buy at an office supply store, or keep them electronically. All requirements that apply to hard copy books and records also apply to electronic business records.
- The responsibility to validate information on tax returns is known as the [burden of proof](#). Small business owners must be able to prove expenses to deduct them.
- Business owners should keep all [records of employment taxes](#) for at least four years.
- Businesses that keep paper records should keep them in a secure location, preferably under lock and key, such as a desk drawer or a safe.
- Businesses that keep records electronically on a computer should always have an electronic back-up, in case the hard drive crashes.