



Robert W. Wood

THE TAX LAWYER

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Keep Tax Records In The Vault!

If you've ever tried to tell the IRS "I lost my receipt" you don't want to do it a second time. The IRS has heard every excuse in the book. See [IRS Publication 552](#), Recordkeeping for Individuals.

While the IRS is not without sympathy, you'll find it far easier if you don't have to go to the additional effort of proving something by another means.

Periodically, the IRS issues reminders to taxpayers regarding the importance of safeguarding your tax records. See [Prepare for Hurricanes, Disasters by Safeguarding Tax Records](#). That's especially true in cases of natural disasters that make traditional record-keeping go haywire. The IRS suggests creating a backup set of records stored away from the originals.

Another idea is to document valuables by photographs or videos. See [IRS Publication 584](#), Disaster Loss Workbook. Also consider your own emergency plans. See [Preparing for a Disaster \(Taxpayers and Businesses\)](#). For employers using a payroll service, ask your payroll service if it has a fiduciary bond. See [IRS Publication 583](#), Starting a Business and Keeping Records.



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Here are some other IRS resources on this unpleasant but necessary topic: [Tax Relief in Disaster Situations](#); and [Frequently Asked Questions for Disaster Victims](#).

If despite such safeguards, you *still* end up missing receipts, don't give up. **Other evidence** is sometimes enough to convince the IRS or the courts. Although receipts are best, if you can't find one, remember the Cohan Rule.

[George M. Cohan](#) was a Broadway pioneer whose hits included "Give My Regards to Broadway" and "Yankee Doodle Boy." His [statue](#) still commands Times Square. But the IRS disallowed Cohan's travel and entertainment expenses for lack of receipts.

He took the IRS to the Board of Tax Appeals, predecessor to today's [U.S. Tax Court](#). Receipts being the stock in trade of the tax system, the Board upheld the IRS. Cohan appealed to the Second Circuit, which in 1930 rocked the IRS back on its heels with the Cohan Rule. See [Cohan v. Commissioner](#). To this day, it is an exception to stringent IRS recordkeeping requirements, allowing taxpayers to prove by "other credible evidence" they actually incurred deductible expenses.

The Cohan Rule doesn't always work. It is most classically applied to travel and entertainment, but could apply to virtually any item not specifically subject to heightened substantiation requirements (such as certain travel and meal expenses, passenger automobiles, computers and cell phones).

If the IRS is convinced by oral or written statements or other supporting evidence and a reasonable approximation can be made, you may be entitled to the expense despite your lack of documentation. Even charitable contributions have been allowed under the Cohan Rule, though not where special [substantiation requirements](#) apply. Those rules require you to have a receipt even for small cash donations, including \$20 put in the collection plate on Sunday and (for donations of more than \$250) a contemporaneous written acknowledgement from the charity before filing your tax return.

For more about the Cohan Rule, see [What If A Taxpayer Doesn't Have Receipts?](#)

See also:

[Need A Tax Receipt?](#)

[Sometimes, Tax Receipts Are Optional](#)

[When Fighting IRS, Should You Pay To Stop Interest?](#)

[Dispute Your Tax Bill, But Not IRS Regulations!](#)

[Choose Your Ground In Tax Disputes](#)

[Ten Things To Know About Fighting An IRS Bill](#)

[Giving To Charity? Great. Staying Off IRS Radar? Priceless.](#)

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*