

# RECORDS RETENTION GUIDELINES

We are often asked about how long specific records should be kept. Discarding records that should be kept poses a wide range of potential tax and legal problems. Keeping reports too long wastes precious space and resources. But how long should the company's files be kept? The answer varies depending on company policies and the type of files. Generally, the files should be kept as long as they serve a useful purpose or until all legal and regulatory requirements are met.

Businesses often base how long they keep files on the length of the statute of limitations for breach of contract, breach of fiduciary duty, and professional liability claims. The statutes, of course vary with each state.

As to your tax records, the statute of limitations period for income tax returns is generally three years. It is six years if there is a substantial understatement of gross income. A good rule to thumb is to add a year to the statute of limitations period. Using this approach, taxpayers should keep most of their income tax records a minimum of four years, but it may be more prudent to retain them for seven years. Regardless of the tax assessment periods, taxpayers should retain certain records for longer periods, and in some cases, indefinitely. Tax return, results of an audit by a tax authority, general ledgers, and financial statements should normally be kept indefinitely.

Sample record retention periods are included herein. Please note that this table should only be used as a guide. You should consult with your attorney and insurance carrier when establishing a record retention policy. It is also recommended reviewing your record retention policy annually and updating it as necessary considering changes in governmental and professional requirements and the cost of retaining records.

It is also important to note that the IRS permits taxpayers to store certain tax documents electronically. Although these IRS rules are aimed primarily as businesses and sole proprietors, they presumably apply to individuals as well. These rules permit taxpayers to convert paper documents to electronic images and maintain only the electronic files. The paper document can then be destroyed. Certain requirements must be met to take advantage of an electronic storage system.

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## BUSINESS – GENERAL RECORDS RETENTION

### TYPE OF RECORD

### TIME PERIOD TO RETAIN

#### ACCOUNTING RECORDS

Auditors' report/Annual financial statements	Permanently
Bank statements and deposit slips	7 years
Cancelled checks:	
• Fixed assets	Permanently
• Taxes (payroll related)	7 years
• Taxes (income)	Permanently
• General	7 years
• Payroll	7 years
Cash disbursements	Permanently
Cash receipts journal	Permanently
Chart of accounts	Permanently
Deeds, mortgages, bills of sale	Permanently
Electronic payment records	7 years
Employee expenses reports	7 years
Fixed asset record (invoices, cancelled checks, Depreciation schedules)	Permanently
Freight bills and bills of lading	7 years
General journal	Permanently
General ledger	Permanently
Inventory listings and tags	7 years
Invoices: sales to customers/credit memos	7 years
Patent/trademark and related papers	Permanently
Payroll journal	7 years
Production and sales reports	7 years
Purchases	7 years
Purchase journal	Permanently
Purchase orders	7 years
Sales or work orders	7 years
Subsidiary ledgers (accounts receivable, accounts payable, equipment)	7 years
Time cards and daily time reports	7 years
Training manuals	Permanently
Trial balance – year end	Permanently

*\*7 Years Following Disposition, Termination, or Pay Off*

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### TYPE OF RECORD

### TIME PERIOD TO RETAIN

#### EMPLOYEE BENEFIT PLAN RECORDS

Actuarial reports	Permanently
Allocation and compliance testing	7 years
Brokerage/Trustee statements supporting investments	7 years
Financial statements	Permanently
General ledger and journals	Permanently
Information returns (Form 5500)	Permanently
Internal Revenue Service/Department of Labor Correspondence	Permanently
Participant communications related to distribution, termination and beneficiaries	7 years
Plan and trust agreements	Permanently

#### INSURANCE RECORDS

Accident reports and settled claims	6 years after settlement
Fire inspection and safety reports	7 years
Insurance policies (still in effect)	Permanently
Insurance policies (expired)	7 years

#### LEGAL DOCUMENTS

Articles of Incorporation and Bylaws	Permanently
Buy-sell agreements	Permanently
Contracts and leases (still in effect)	Permanently
Contracts and leases (expired)	7 years
Employment agreements	7 years
Legal correspondence	Permanently
Minutes	Permanently
Partnership agreements	Permanently
Stock certificates and ledgers	Permanently

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## BUSINESS – GENERAL RECORDS RETENTION

### TYPE OF RECORD

### TIME PERIOD TO RETAIN

#### PERSONNEL RECORDS

Child labor certificates and notices	3 years
Employment application (from date of termination)	2 years
Employment eligibility verification (I-9 Form)	3 years
Help wanted ads and job opening notices	2 years
Personnel files (from date of termination)	4 years
Records of job injuries causing loss of work	5 years
Safety: chemical and toxic exposure records	30 years
Union agreements and individual employee contracts (from date of termination)	3 years

#### TAX RECORDS

IRS adjustments	Permanently
Payroll tax returns	7 years
Property basis records	Permanently
Sales and use tax returns	Permanently
Tax return and cancelled checks for tax payments	Permanently

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## INDIVIDUAL – GENERAL RECORDS RETENTION

<u>TYPE OF RECORD</u>	<u>TIME PERIOD TO RETAIN</u>
401K /Keogh Statements	7 years *
Alimony, Custody or Prenuptial Agreements	Permanently
Annuity Year End Statements	7 years *
Bank Statements	3 years
Birth and Death Certificates	Permanently
Cancelled Checks	3 years
Certificates of Deposit Statements	7 years
Charitable Contributions	Keep with applicable tax return
Credit Card Purchase Receipts	Discard after purchase appears on credit statement if needed for warranties, merchandise returns or taxes.
Detailed List of Financial Assets Held	Permanently
Employee Business Expense Reports	Keep with applicable tax return
Forms 1099 Received	7 years
Forms W2 Received	Permanently
House Records (cancelled checks for purchase of major improvements and maintenance	Permanently
Individual Retirement Account Records	Permanently
IRA Statements (deductible & non-deductible	7 years to Permanently
Insurance Policies – Life	Permanently
Insurance Policies – Other	7 years
Loan Records/Forms 1098	7 years *
Major Purchase Receipts	7 years
Medical Expenses	Keep with applicable tax return
Medical Records	Permanently
Military Records	Permanently
Pay Stubs	One year. Discard all but final, cumulative pay stubs for the year
Photos or Videotape of Valuables	Permanently
Real Estate Documents	Keep 3-6 years after property has been disposed of and taxes have been paid.
Tax return and cancelled checks for tax payments	Permanently
Investment/Sales of Stocks & Bonds	7 years

*\*7 Years Following Disposition, Termination, or Pay Off*

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