

The Record Retention Guide

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The Record Retention Guide

INTRODUCTION

Businesses must maintain book and records so that an accounting of the business activities may be performed. Whether it be for an audited financial report, a compilation, a review, a tax return, or a specific management report, businesses must gather, summarize and analyze facts and figures to support reports, tax returns and conclusions. After the report is issued and/or the tax return is filed, the next important question is just how long must these business records be retained.

This handbook offers some guidance by providing a suggested time-frame to maintain records. It has been assimilated from several sources, including the basic IRS Regulation - 26 CFR 1. 6001-1, The Guide of Record Retention Requirements in the Code of Federal Regulations, as well as by reviewing and analyzing numerous record retention schedules.

Before finalizing an entity's record retention procedures, it is recommended that the IRS regulations, state and local government retention requirements and the AICPA's Filing and Record Retention Procedures Guide be reviewed.

Please note: The suggested retention periods shown are not offered as final authority, but as guideposts against which to compare your needs. There may be several situations, for historical or reference purposes, for example, that necessitate longer periods than legally required.

In addition, many specific industries require retention periods that are different than rated here for specific terms. In most cases, the period of retention listed in this guide provides a more conservative retention period.

Additionally, in all circumstances, be aware that the Materiality Rule under Treas. Reg. 1.6001-1, governs that all books and records must be maintained so long as they remain material in the computation of any tax.

Finally, if you are subject to the new rules promulgated by The Sarbanes – Oxley Act, SEC 17CFR, pay careful attention to section 210.2-06 which requires that work papers and other documents that form the basis of an audit or review, including memos, correspondence and e-mail which contain opinions, analysis or financial data, including those that are inconsistent with the auditor's final opinion, be retained for a period of 7 years.

The reader should consult with more authoritative guidance when specific questions need answering.

Note: Please keep in mind that documentation may include all electronic files and memos. This can include, but is not limited to such items as emails, tax software files, general ledger files, “.pdf” files or any other form of information retention that is created and/or stored electronically.

Record Retention Guide for Business

ACCOUNTING SYSTEMS	SUGGESTED RETENTION PERIOD
Accounts Payable Ledger	7
Accounts Receivable Aging Reports	7
Accounts Receivable Ledger	7
Accounts Receivable Invoices	7
Accounts Written-off	7
Authorization - Accounting	5
Balance Sheets	P
Bank Reconciliations	7
Bank Statements	7
Bank Deposit Slips	3
Budgets	3
Canceled Checks	10
Cancelled Dividend Checks	P
Cash Book	P
Cash Disbursement & Receipt Record	P
Cash Sales Slips	7
Charge Slips	7
Charts of Accounts	P
Check Register	P
Expense Reports	7
Financial Statements	P
General Ledger	P
Investment - Sales/Purchases	P
Journal Entries	P
Petty Cash Records	7
Profit/Loss Statements	P
Purchase Order	7
Subsidiary Ledger	P
Trial Balance	P
Vendor Invoices	7
Voucher Check Copies	7
CORPORATE RECORDS	SUGGESTED RETENTION PERIOD
Amendments	P
Annual Reports	P
Articles of Incorporation	P
Audit Reports - Public	P
Audit - Internal	6
Board of Directors - Committee	P
Board of Directors - Minute Book	P
Bylaws	P
Capital Stock Certificates	P

CORPORATE RECORDS CONTINUED	SUGGESTED RETENTION PERIOD
Capital Stock Ledger	P
Capital Stock Transactions	P
Charter	P
Contracts - After Termination	P
Contributions	7
Correspondence - Accounting	5
Correspondence - General	P
Dividend Register and Cancelled Dividend Checks	P/155
Election Records	P
Financial Statements	P
Organizational Charts	P
Partnership Agreement	P
Stock Transfer Records	P
Stockholders - Minute Book	P
FIXED ASSETS	SUGGESTED RETENTION PERIOD
Depreciation Schedule	P/148 & 155
Inventory Records	P
Plans and Blueprints	P/148
Plant Cost Ledger	P/148
Property Appraisals	P/148
Property Register	P/148
Records for Property Subject to Depletion	P/152
ACCOUNTING FIRMS	SUGGESTED RETENTION PERIOD
Tax Return Preparers	4/157
Tax Returns Prepared	4/158
HUMAN RESOURCES	SUGGESTED RETENTION PERIOD
Accident Reports - Settled	7
Attendance Records	7
Dental Benefits	5
Disability Benefits - After Expiration/Settlement	7
Employee Medical History	7
Employment Application - Not Hired	3
Garnishments	5
Life Insurance Benefits	5
Medical Benefits	7
Pension Plan Agreement	P
Performance Record - After Termination	7
Personnel File - After Termination	7
Personnel Files - Current Employees	P
Profit Sharing Agreement	P
Safety Reports	5/193

HUMAN RESOURCES CONTINUED	SUGGESTED RETENTION PERIOD
Vacation Files	4/158
Workers' Compensation Benefits	10
Sick Pay	4/158
Family & Medical Leave	3/189-190
INSURANCE	SUGGESTED RETENTION PERIOD
Automobile Insurance Claims	10
Disability Insurance Claims - After Termination	7
Expired Insurance Policies	10
Fire Inspection Reports	6
Insurance Appraisals	6
Safety Records	6
Foreign Insurance Policies	3/163
LEGAL	SUGGESTED RETENTION PERIOD
Bill of Sale	P
Business Permits	P
Claims and Litigation Concerning Torts and Breach of Contract	P
Contracts - Employees	P
Contracts - Government	P
Contracts - Labor Union	P
Contracts - Special	P
Copyrights	P
Correspondence - Legal	P
Deeds/Titles	P
Leases/Canceled	10
Licenses	P
Mortgages	P
Notes Receivable - Canceled	10
Patents	P
Stock and Bond Record	P
Trademarks - Registered	P 149
PAYROLL	SUGGESTED RETENTION PERIOD
Contractors	3 years from date of completion of contract/ 385 & 182
Checks - Payroll	7
Commission Reports - Salesperson	6
Employee Withholding Exemption Certificates	10
Payroll Register	4/158
Payroll Records - After Termination	10
Salary History	8
Time Reports	7

PAYROLL CONTINUED	SUGGESTED RETENTION PERIOD
W-2 Forms	P
Vacation/Sick Pay	4/158
Large Food or Beverage Establishment Reporting Tips	3/159
Employee Tip Substantiation	3, ***/160
SECURITY	SUGGESTED RETENTION PERIOD
Classified Material Violations	P
Visitor Clearance	2
TAXATION	SUGGESTED RETENTION PERIOD
Tax Free Reorganization	P
338 Election	7 years/150
Canceled Checks - Tax Payments	P
Correspondence - Tax	P
Depreciation Schedules	P
Income Tax Returns	P
Inventory Reports	P
FUTA/FICA/Income Tax Withholding	4
Payroll Tax Returns	P
Revenue Agent Reports	P
Sales Tax Returns	P
NOL Company	**
AMT NOL Company	**
Transfer Pricing	4/155
MISCELLANEOUS	SUGGESTED RETENTION PERIOD
Receiving Documents	10
Title Papers	P
Vehicle Operating and Maintenance	2
Telecommunication Copies	1
Prepaid Dues Income	4/151
Financial Institution Loan Loss Reserves	P/151
Mutual Savings Bank bad Debt Reserve	P/151

Record Retention Guide for Individuals

INDIVIDUAL RECORDS	SUGGESTED RETENTION PERIOD
Tax Return Copies	P
Medical Receipts	7
Forms 1099 Received	7
Forms W2 Received	P
401 K/Keogh Statements	7*
IRA Statements (deductible & nondeductible)	7/P
Loan Records / Forms 1098	7*
Annuity Year End Statements	7*
Insurance Policies – Life	P
Insurance Policies – Other	7
Major Purchase Receipts	7
Year-end Brokerage Statements/Trade Confirmations	7*
Certificates of Deposit Statements	7
Schedule K-1's from Partnership or S Corporation	7*
House Records (cancelled checks for purchase of major improvements and maintenance)	P
Birth and Death Certificates	P
Medical Records	P
Wills	P
Trust Agreements	P
Detailed List of Financial Assets Held	P
Alimony, Custody or Prenuptial Agreements	P
Military Papers	P
Photos or Videotape of Valuables	P

P = Permanent records.

Numeric = Suggested retention period in years.

Character/ Numeric = First Character is record retention period. Number is reference to page number in Record Retention Requirements.

***7 years following disposition, termination or payoff.**

****Maintain permanent records of all the facts necessary for the first taxable year and each succeeding year in which there is a NOL or NOL Carryover. This includes records necessary to determine the identity of 5% shareholders, the percentage of it stock owned be each 5% shareholder and whether IRC Section 382 is applicable.**

*****As long as the contents there-of may become material in the administration of any Internal Revenue Law.**

How To Prove Certain Business Expenses

IF you have expenses for:	THEN you must keep records that show details of the following elements:			
	Amount	Time	Place or Description	Business Purpose and Business Relationship
Travel	Cost of each separate expense for travel, lodging and meals. Incidental expenses may be totaled in reasonable categories such as taxis, daily meals for traveler, etc.	Dates you left and returned for each trip and number of days spent on business	Destination or area of you travel (name of city, town, or other designation).	Purpose: Business purpose for the expense of the business benefit gained or expected to be gained. Relationship: N/A
Entertainment	Cost of each separate expense. Incidental expense such as taxis, telephones, etc., may be totaled on a daily basis.	Date of entertainment. (Also see Business Purpose.)	Name and address of location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see Business Purpose.)	Purpose: Business purpose for the expense of the business benefit gained or expected to be gained. For entertainment, the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion: the date, place, nature, and duration of the business discussion and the identities of the persons who took part in both the business discussion and the entertainment activity.
Gifts	Cost of the Gift Fair Market Value as of Date of Gift.	Date of the Gift	Description of the Gift	Relationship: Occupations or other information (such as names, titles, or other designations) about the recipients that shows their business relationship to you. For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal.
Transportation	Cost of each separate expense. For car expense, the cost of the car and any improvement, the date you started using it for business, the mileage for each business use and the total miles for the year.	Date of the expense. For car expense, the date of the use of the car.	Your business destination.	Purpose: Business purpose for the expense. Relationship: N/A

Substantiation for Charitable Deductions

IF you have charitable deductions, then you must keep records that show details of the following elements:	
Amount	Substantiation
Less than \$250	In writing by receipt or by pay stub for P/R deduction
More than \$250	As above, plus contemporaneous written acknowledgement of cash amount or description of goods donated, and statement of goods or services received in exchange. Manner of acquisition and cost basis.
More than \$5,000	As above, and needs written appraisal.