

RECORD RETENTION

While there are no definitive rules for determining the holding period for many types of records, some general guidelines can be found in federal and state government publications. Additionally, for certain types of records, there *are* government regulations that mandate a required retention period.



In addition to these general guidelines, each business owner, as well as its management, should consider any industry standards that may affect the holding period of records due to unusual legal circumstances.

Accounting and Tax Records

You must retain records supporting income, expenses and credits you report on each income tax return until the expiration of the statutory period of limitations for that return. For the IRS, this generally means three years after the date the return was due or the date the tax was paid, whichever is later (four years for the California FTB). If there is a major understatement of income, however, the statutory period extends until six years after the due date of the return (or almost seven years after the tax year). Therefore, most income tax records should be retained for seven years.

Electronic Record Keeping

The IRS has issued specific guidelines for retaining computerized records. You must be able to produce legible records that reconcile your books and tax returns that are readily retrievable and contain sufficient transaction-level detail to identify any source documents.



Business or Corporate Entity Documents

Corporate documents should be kept indefinitely. These records include articles of incorporation or partnership agreements, bylaws, stock records and board of directors' minutes.

Personnel Records

All personnel records are required to be kept for the duration of a person's employment plus a designated period of time after their termination.

Employee Benefit Plan Records

All information needed to verify any aspect of a filing under ERISA must be kept for a period of six years after the date of filing. The exact records required will vary but must include the basic information that will verify the accuracy and completeness of all required disclosures and the Annual Report. This includes plan documents, brokerage or trustee statements supporting the investment experience of the plan, payroll and related data to support eligibility, allocations and compliance testing, and participant communications related to terminations, loans or designations of beneficiaries.

RECORD RETENTION GUIDELINES

The following chart provides a general guideline for the retention of many records, but the specific holding periods for any record retention policy should be given careful scrutiny by management and legal advisors in light of any pending investigations, regulated industry requirements or contract covenants.



FOR BUSINESSES

PERMANENT RECORDS

Accounting Records

Auditors' report and annual financial statements
Canceled checks:

- Fixed assets
- Income taxes paid

Cash disbursements and receipts journals
Chart of accounts
Deeds, mortgages, bills of sale
Fixed asset records (invoices, depreciation schedules)
General journals
General ledgers
Patent/Trademark and related papers
Payroll journal
Purchase journal
Training manuals
Trial balance – year-end

Legal Documents

Articles of incorporation and bylaws

SEVEN YEAR HOLDING PERIOD

Accounting Records

Bank statements and deposit slips
Cancelled checks:

- General
- Payroll
- Taxes (payroll related)

Electronic payment records
Employee expense reports
Freight bills and bills of lading
Inventory listings and tags
Invoices: Sales to customers/credit memos

Amendments to above
Buy-sell agreements
Legal correspondence
Minutes
Partnership agreements
Stock certificates and ledgers

Tax Records

IRS or FTB adjustments
Payroll tax returns
Property basis records
Sales and use tax returns
Tax returns and cancelled checks for tax payments

Employee Benefit Plan Records

Actuarial reports
Financial statements
IRS and/or DOL Correspondence
Plan and Trust Agreements

Production and sales reports
Purchases
Purchase orders
Sales or work orders
Subsidiary ledgers (accounts receivable, accounts payable, equipment)
Time cards and daily time reports

Legal Documents

Contracts and leases (after expiration)
Employment agreements

SIX YEAR HOLDING PERIOD

Employee Benefit Plan Records

Allocation and compliance testing
Brokerage/Trustee statements supporting
investments
General ledger and journals

Information returns (Form 5500)
Participant communications related to
distributions, terminations,
beneficiaries

TWO, THREE OR FOUR YEAR HOLDING PERIODS

Personnel Records

Employment application-from
termination (2)
Employment eligibility verification
(I-9 form) (from date of termination) (3)

Help wanted ad and job notices (2)
Personnel files (from date of
termination) (4)



FOR INDIVIDUALS

PERMANENT RECORDS

House records (cancelled
checks for purchase,
major improvements and maintenance)
Birth and death certificates
Medical records
Wills/Trust Agreements

W-2 Forms received
List of financial assets held
Alimony, custody &
prenuptial agreements
Military papers
Photos or videotape of valuables

SIX YEAR HOLDING PERIOD

Tax Returns (after filing)
Medical Bills (after payment)
Forms 1099 received (after receipt)
Keogh statements (after plan termination)
IRA records (deductible & nondeductible)
(after account termination)
Loan records (after payoff)
Insurance policies (after expiration)

Major purchase receipts (after purchase)
Year-end brokerage statements
(after securities deposit)
Certificate of deposit statements
(after maturity)
Schedule K-1s from LLPs or S Corps
(after disposition of interest)