

THE RECORD RETENTION GUIDE



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What records does your business need to keep, and how long do you need to keep them? There are several categories of records that are important to a business, some for internal purposes and some for tax returns and other government requirements.

Tax and Accounting

First consider the records you need to substantiate your annual income tax return. The Internal Revenue Service says you must maintain adequate records to support almost every item of income and expense you claim. This means you must be able to produce receipts, invoices, canceled checks or banking records supporting all expense items. Similarly, you should keep sales, invoices, or bank records to support items.

Generally, the Internal Revenue Service can audit a tax return for three years after the date it was due or the date the tax was paid, whichever is later. However, if there is a major understatement of income, they can audit for six years after the due date (or almost seven years after the tax year). For that reason, you should keep most income tax records for seven years.

Corporate Records

Every incorporated business needs good corporate records, including documents associated with forming the company, bylaws, business licenses, and minutes of all board meetings. Shareholder records should include stock registers and records of all share issuances and redemptions. Also keep copies of all contracts and leases. Finally, don't forget current and terminated employee files, and records of employee pension or profit sharing plans. Most corporate and employee pension plan records should be kept indefinitely.

Computer Records

These days, more and more business records are stored electronically. While this saves time and space, it also increases the risk of accidental loss or damage. A hard disk in a personal computer can crash at any time, perhaps erasing months of data. Make sure your computer system is backed up regularly, and keep the backup copy in a fireproof location, preferably offsite.

The table below shows a recommended retention schedule for some of the more common business records.

ACCOUNTING RECORDS

Accounts Payable	7 Years
Accounts Receivable	7 Years
Audit Reports	Indefinitely
Chart of Accounts	Indefinitely
Depreciation Schedules	Indefinitely
Expense Records	7 Years
Financial Statements (annual)	Indefinitely
Fixed Asset Purchases	Indefinitely (7 Years After Disposal of Property)
General Ledger	Indefinitely
Internal Audit Reports and Working Papers	3 Years
Inventory Records	7 Years (Indefinitely for LIFO system)
Journals	Indefinitely
Loan Payment Schedules	7 Years
Monthly Trial Balance	10 Years
Notes Receivable Ledgers	7 Years
Petty Cash Vouchers	3 Years
Plant Cost Ledgers	7 Years
Purchase Orders (one copy)	7 Years

Sales Records	7 Years
Subsidiary Ledgers	7 Years
Voucher Register and Schedules	7 Years
Tax Returns	Indefinitely
Invoices to Customers	6 Years
Travel and Entertainment Records	6 Years
Credit Card Statement	3 Years
Other Tax-Related Bills	6 Years

BANK RECORDS

Bank Reconciliation	3 Years
Bank Statements	3 Years
Canceled Checks	7 Years (Indefinitely for R.E. Purchases)
Duplicate Deposit Slips	3 Years
Loan Records	7 Years (From the date of last payment)
Electronic Payment Records	7 Years

CORRESPONDENCE

Customer and Vendor Correspondence	7 Years
General Correspondence	3 Years
Legal and Tax Correspondence	Indefinitely
Licenses and permits	Indefinitely

CORPORATE RECORDS

Board Minutes	Indefinitely
Bylaws	Indefinitely
Business Licenses	Indefinitely
Contracts and Leases Still in Effect	Indefinitely
Contracts – Major	Indefinitely
Contracts – Minor	Life + 4 Years
Insurance Policies	Life + 3 Years
Leases/Mortgages	Indefinitely
Partnership Agreements	Indefinitely
Patents/ Trademarks	Indefinitely
Proxies	Indefinitely
Shareholder Records	Indefinitely
Stock Registers	Indefinitely
Stock Transactions	Indefinitely

EMPLOYEE RECORDS

Benefit Plans	Indefinitely
Commission Records	7 Years
Employee Files (Ex-employees)	7 Years/ Employee lawsuits statute of limitation
Employment Applications	3 Years
Employment Taxes	7 Years
Garnishments	7 Years
I-9's (After Termination)	1 Year
Job Descriptions	10 Years After Replaced
Payroll Records	7 Years
Pension/Profit Sharing Plans	Indefinitely
Quarterly Payroll Reports	5 Years
Time Cards	7 Years
Training Manuals	Indefinitely
Union Records and Collective Bargaining	6 Years
W-2's	7 Years
W-4's	5 Years
Workers Compensation	11 Years

INSURANCE

Accident Reports and Claims for Settled Cases	7 Years
Fire Inspection Reports	8 Years
Group Disability Records	8 Years
Insurance Policies – Expired	3 Years
Insurance Audit Reports	Indefinitely
Insurance Records	Indefinitely
Safety Reports	8 Years

REAL PROPERTY RECORDS

Construction Records	Indefinitely
Deeds, Mortgages and Bills of Sale	Indefinitely
Inherited Property Records and Valuations	Indefinitely
Leasehold Improvements	Indefinitely
Lease Payment Records	Life + 4 Years
Property Appraisals by Outside Appraisers	Indefinitely
Real Estate Purchases	Indefinitely

MISCELLANEOUS

Automobile Logs	7 Years
Bills of Lading	7 Years
Capital Stock and Bond Records	Indefinitely
Cash Books	Indefinitely
Expense Analysis /Expense Distribution	7 Years
Information Returns	7 Years
Investments	7 Years After Disposal
Low-Income Housing Records	7 Years
Magnetic Tape and Tab Cards	1 Year
Miscellaneous Internal Reports	4 Years
Option Records	7 Years
OSHA Logs	5 Years
Physical Inventory Tags	3 Years
Purchase Orders	7 Years
Receiving Sheets	1 Year
Requisitions	1 Year
Sales Records	7 Years
Sales Tax Returns	7 Years
Scrap and Salvage Records	7 Years
Stockroom Withdrawal Forms	4 Years
Voucher Registers	7 Years

Expired Contracts, Leases	6 years
IRS Revenue Agents' Reports	Indefinitely

Sales Receipts	Keep for life of the warranty
Stocks and Bond Records	Keep for 6 years beyond selling
Warranties and Instructions	Keep for the life of the product
Other Bills	Keep until verified on the next bill

ITEMIZED DEDUCTIONS	
Charitable Contributions	6 Years
Employee Business Expenses	6 Years
Home Mortgage Interest	6 Years
Medical Expenses	6 Years
Personal Property Taxes	6 Years
Real Estate Taxes	6 Years
State Income Taxes	6 Years

SPECIAL CIRCUMSTANCES	
Car Records	Keep until car is sold
Credit card Receipts	Keep until verified on your statement
Pay Stubs	Keep until reconciled with your W-2
Property Records /Improvement Receipts	Keep until property sold