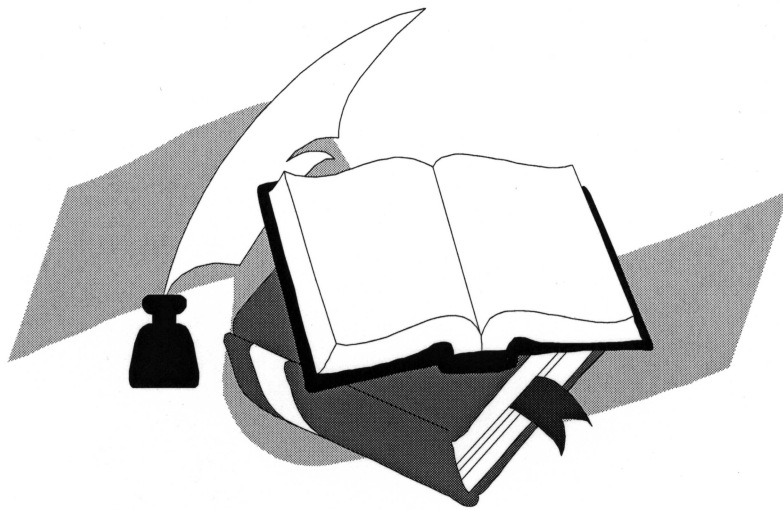


# **THE RECORD RETENTION GUIDE**



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# THE RECORD RETENTION GUIDE

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

### BANK RECORDS

Bank Reconciliation	2 Years
Bank Statements	7 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	2 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 Internal Reports	4 Years
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Option Records	7 Years
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OSHA Logs	5 Years
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Physical Inventory Tags	3 Years
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Purchase Orders	7 Years
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Receiving Sheets	1 Year
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Requisitions	1 Year
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Sales Records	7 Years
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Sales Tax Returns	7 Years
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Scrap and Salvage Records	7 Years
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Stockroom Withdrawal Forms	4 Years
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Voucher Registers	7 Years
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## 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

## ITEMIZED DEDUCTIONS

Charitable Contributions	4 Years
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Employee Business Expenses	4 Years
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Home Mortgage Interest	4 Years
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Medical Expenses	4 Years
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Personal Property Taxes	4 Years
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Real Estate Taxes	4 Years
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State Income Taxes	4 Years
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