

RECORD RETENTION GUIDELINES

The concept of a “paperless” society can frequently be evaluated in terms of the quantitative and qualitative benefits achieved. As the technology of data and storage systems advances, moving toward a paperless environment will become increasingly more important for many business operations.

Regardless of how “paperless” our society will eventually become, there will always be a need to retain certain business and personal records. These records, whether they are paper, microfiche, or computer disk, will always represent storage and retrieval issues.

When the available storage space overflows, a decision must be made regarding which records to keep and which to destroy or delete. Storing, filing and locating records, whether paper or electronic, are costly activities for your company, both in dollars and in time. Through proper labeling of all retained records and the implementation of a formal record retention program, you may be able to significantly reduce these costs.

HOW LONG MUST EACH RECORD BE KEPT?

While there are no absolute rules for determining the holding period for many types of records, there are some general guidelines contained in federal and state government publications. In addition, for certain types of records, there are government regulations that mandate a required retention period.

Accounting and Tax Records

You must keep records to support the income, expenses and credits you report on each income tax return until the statutory period of limitations for that return expires. Generally, the IRS 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.

Electronic Record Keeping

The IRS has issued guidelines for retaining computerized records. You must be able to produce legible records that reconcile your books and tax returns. Machine-sensible records must be readily retrievable and contain sufficient transaction-level detail to identify any source documents. Specific requirements exist for documentation of procedures, file contents and system checks.

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 needed will vary from plan to plan 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. To obtain a copy of the *DOL and IRS Rules for the Use of Electronic Media* for the maintenance and retention of qualified plan records, please visit: www.benefitslink.com and search Record Retention.



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 or litigation, regulated industry requirements or contract covenants. In addition to these general guidelines, each business should consider any industry standards that may affect the holding period of records due to unusual legal circumstances.

Accounting Records

Auditors' report and annual financial statements	Permanently
Bank statements and deposit slips	7 years
Cancelled checks:	
• Fixed assets	Permanently
• General.....	7 years
• Payroll	7 years
• Taxes (payroll related)	7 years
• Taxes (income)	Permanently
Cash disbursements journal	Permanently
Cash receipts journal.....	Permanently
Chart of accounts	Permanently
Deeds, mortgages, bills of sale	Permanently
Electronic payment records	7 years
Employee expense reports	7 years
Fixed asset records (invoices, 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.....	Permanently
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

Insurance Records

Accident reports and settled claims	6 years after settlement
Fire inspection and safety reports.....	7 years
Insurance policies (after expiration).....	7 years

Legal Documents

Articles of incorporation and bylaws	Permanently
Amendments to above.....	Permanently
Buy-sell agreements.....	Permanently
Contracts and leases (after expiration).....	7 years
Employment agreements.....	7 years
Legal correspondence	Permanently
Minutes.....	Permanently
Partnership agreements	Permanently
Stock certificates and ledgers.....	Permanently

Tax Records

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

Personnel Records

Child labor certificates and notices	3 years
Employment application (from date of termination) ..	2 years
Employment eligibility verification (I-9 form) (from date of termination).....	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

Employee Benefit Plan Records

Actuarial reports.....	Permanently
Allocation and compliance testing.....	6 years
Brokerage/Trustee statements supporting investments	6 years
Financial statements	Permanently
General ledger and journals.....	6 years
Information returns (Form 5500).....	6 years
Internal Revenue Service/Department of Labor correspondence	Permanently
Participant communications related to distributions, terminations, beneficiaries	6 years
Plan and Trust Agreements.....	Permanently

Individual Records

Tax Returns (after filing).....	6 years
Medical Bills (after payment).....	6 years
Forms 1099 received (after receipt).....	6 years
Keogh statements (after plan termination).....	6 years
IRA records (deductible & nondeductible) (after account termination)	6 years
Loan records (after payoff).....	6 years
Insurance policies (after expiration).....	6 years
Major purchase receipts (after purchase)	6 years
Year-end brokerage statements (after securities deposit).....	6 years
Certificate of deposit statements (after maturity)	6 years
Schedule K-1s from LLPs or S Corps (after disposition of interest	6 years

Individual 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