

Retention Guide

Question: How long should you keep your records?

Answer: As long as you might need them to support inquiries by tax authorities, insurance companies, creditors, or other interested parties.

Federal law requires you to maintain all of your records for *at least* three (3) full years after the close of a tax year. That time frame extends for any of the following circumstances:

- If you did not report income and it amounts to 25% or more of your gross income, then you need to keep your records for a full six (6) years after the close of the tax year.
- If you filed a claim for a credit or refund or a prior tax year, then you need to keep your records for three (3) years from the date you filed the original return or two (2) years from the date of the amended return, whichever is later.
- If you file a claim for a loss for a worthless security or bad debt deduction, then you need to keep your records for a full seven (7) years.
- If you did not file a return or you filed a fraudulent return, then you need to keep your records indefinitely.
- Finally, you need to keep all employment records for at least four (4) years after taxes become due or are paid, whichever is later.

It's not enough to keep copies of your tax filings. You need to maintain an orderly file of all of the supporting documentation to justify the numbers you report.

Based on industry best practices, here are our recommendations for record retention:

Accident reports/claims (settled cases) - 7 years

Accounts payable ledgers and schedules - 7 years

Accounts receivable ledgers and schedules - 7 years

Audit reports - Permanently

Bank reconciliations - 3 years

Bank statements - 7 years

Chart of accounts - Permanently

Cancelled checks • General - • 7 years
• Important payments - • Permanently
Contracts, mortgages, notes, and leases • Expired - • 7 years
• Still in effect - • Permanently
Corporate documents (incorporation, charter, by-laws, etc.) - Permanently
Correspondence • General - • 3 years
• Legal and important matters - • Permanently
• Routine with customers and/or vendors - • 2 years
Deeds, mortgages, and bills of sale - Permanently
Depreciation schedules - Permanently
Duplicate deposit slips - 3 years
Employment applications - 3 years
Employment tax records - 7 years
Expense analyses/expense distribution schedule - 7 years
Financial statements: • Year-end - • Permanently
• Other - • Optional
Garnishments - 7 years
General ledgers/year-end trial balance - Permanently
Insurance policies (expired) - 3 years
Insurance records (policies, claims, etc.) - Permanently
Internal audit reports - 3 years
Internal reports - 3 years
Inventories of products, materials, and supplies - 7 years
Invoices to customers or from vendors) - 7 years
Journals - Permanently
Minutes from board and stockholder meetings - Permanently
Notes receivable ledgers and schedules - 7 years
Payroll records and summaries (including payments to pensioners) - 7 years
Personnel records (terminated) - 7 years
Petty cash vouchers - 3 years
Physical inventory tags - 3 years
Plant cost ledgers - 7 years
Property records (including depreciation schedules) - Permanently

Purchase orders • Purchasing department copy - • 7 years

• Other copies - • 1 year

Receiving sheets - 1 year

Retirement and pension records - Permanently

Requisitions - 1 year

Sales records - 7 years

Stenographer's Notebooks - 1 year

Stockroom Withdrawal Forms - 1 year

Subsidiary ledgers - 7 years

Tax returns and worksheets, examination reports, and other documents related to determination of income tax liability - Permanently

Timesheets - 7 years

Trademark registrations and copyrights - Permanently

Travel and entertainment records - 7 years

Voucher register and schedules - 7 years

Withholding tax statements - 7 years