

2023



Records Retention Guidelines

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Records Retention Guidelines

We are often asked about how long specific records should be kept. Discarding records that should be kept poses a wide range of potential tax and legal problems. Keeping reports too long wastes precious space and resources. But how long should the company's files be kept? The answer varies depending on company policies and the type of files. Generally, the files should be kept as long as they serve a useful purpose or until all legal and regulatory requirements are met.

Businesses often base how long they keep files on the length of the statute of limitations for breach of contract, breach of fiduciary duty, and professional liability claims. The statutes, of course vary with each state.

As to your tax records, the statute of limitations period for income tax returns is generally three years. It is six years if there is a substantial understatement of gross income. A good rule to thumb is to add a year to the statute of limitations period. Using this approach, taxpayers should keep most of their income tax records a minimum of four years, but it may be more prudent to retain them for seven years. Regardless of the tax assessment periods, taxpayers should retain certain records for longer periods, and in some cases, indefinitely. Tax return, results of an audit by a tax authority, general ledgers, and financial statements should normally be kept indefinitely.

Sample record retention periods are included below. Please note that this table should only be used as a guide.

It is also important to note that the IRS permits taxpayers to store certain tax documents electronically. Although these IRS rules are aimed primarily as businesses and sole proprietors, they presumably apply to individuals as well. These rules permit taxpayers to convert paper documents to electronic images and maintain only the electronic files. The paper document can then be destroyed. Certain requirements must be met to take advantage of an electronic storage system.

Business

GENERAL RECORDS RETENTION

Type of Record

Retention Period

ACCOUNTING RECORDS

• Auditors' report/Annual financial statements	Permanently
• Bank statements and deposit slips	7 years
• Canceled checks:	
• Fixed assets	Permanently
• Taxes (payroll related)	7 years
• Taxes (income)	Permanently
• General	7 years
• Payroll	7 years
• Cash disbursements	Permanently
• Cash receipts journal	Permanently
• Chart of accounts	Permanently
• Deeds, mortgages, bills of sale	Permanently
• Electronic payment records	7 years
• Employee expenses reports asset record (invoices, canceled checks, Permanently Depreciation schedules)	7 years Fixed
• Freight bills and bills of lading	7 years
• General journal	Permanently
• General ledger	Permanently

*7 Years Following Disposition, Termination, or Pay Off

Please note that this table should only be used as a guide. You should consult with your attorney and insurance carrier when establishing a record retention policy. It is also recommended reviewing your record retention policy annually and updating it as necessary considering changes in governmental and professional requirements and the cost of retaining records.

Business (cont.)

GENERAL RECORDS RETENTION

Type of Record

Retention Period

ACCOUNTING RECORDS (CONT.)

- | | |
|---|-------------|
| • Inventory listings and tags | 7 years |
| • Invoices: sales to customers/credit memos | 7 years |
| • Patent/trademark and related papers | Permanently |
| • Payroll journal | 7 years |
| • 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 |

Business (cont.)

GENERAL RECORDS RETENTION

Type of Record

Retention Period

EMPLOYEE BENEFIT PLAN RECORDS

- | | |
|---|------------------------------|
| • Actuarial reports | Permanently |
| • Allocation and compliance testing | 7 years |
| • Brokerage/Trustee statements supporting | 7 years investments |
| • Financial statements | Permanently |
| • General ledger and journals | Permanently |
| • Information returns (Form 5500) | Permanently Internal Revenue |
| Service/Department of Labor | Permanently |
| • Correspondence | |
| • Participant communications related to distribution, termination & beneficiaries | 7 years |
| • Plan and trust agreements | Permanently |

INSURANCE RECORDS

- | | |
|--|--------------------------|
| • Accident reports and settled claims | 6 years after settlement |
| • Fire inspection and safety reports | 7 years |
| • Insurance policies (still in effect) | Permanently |
| • Insurance policies (expired) | 7 year |

Business (cont.)

GENERAL RECORDS RETENTION

Type of Record

Retention Period

LEGAL DOCUMENTS

• Articles of Incorporation and Bylaws	Permanently
• Buy-sell agreements	Permanently
• Contracts and leases (still in effect)	Permanently
• Contracts and leases (expired)	7 years
• Employment agreements	7 years
• Legal correspondence	Permanently
• Minutes	Permanently
• Partnership agreements	Permanently
• Stock certificates and ledgers	Permanently

PERSONNEL RECORDS

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

Business (cont.)

GENERAL RECORDS RETENTION

Type of Record

Retention Period

TAX RECORDS

- | | |
|---|-------------|
| • IRS adjustments | Permanently |
| • Payroll tax returns | 7 years |
| • Property basis records | Permanently |
| • Sales and use tax returns | Permanently |
| • Tax return & canceled checks for tax payments | Permanently |

Individual

GENERAL RECORDS RETENTION

Type of Record

Retention Period

GENERAL RECORDS

• 401K /Keogh Statements	7 years *
• Alimony, Custody or Prenuptial Agreements	Permanently
• Annuity Year End Statements	7 years *
• Bank Statements	3 years
• Birth and Death Certificates	Permanently
• Canceled Checks	3 years
• Certificates of Deposit Statements	7 years
• Charitable Contributions	Keep with applicable tax return
• Credit Card Purchase Receipts	Discard after purchase appears on credit statement if needed for warranties, merchandise returns or taxes.
• Detailed List of Financial Assets Held	Permanently
• Employee Business Expense Reports	Keep with applicable tax return
• Forms 1099 Received	7 years
• Forms W2 Received	Permanently
• House Records (canceled checks for purchase of major improvements and maintenance	Permanently

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Please note that this table should only be used as a guide. You should consult with your attorney and insurance carrier when establishing a record retention policy. It is also recommended reviewing your record retention policy annually and updating it as necessary considering changes in governmental and professional requirements and the cost of retaining records.

Individual (cont.)

GENERAL RECORDS RETENTION

Type of Record

Retention Period

GENERAL RECORDS (CONT.)

• Individual Retirement Account Records	Permanently
• IRA Statements (deductible & non-deductible)	7 years to Permanently
• Insurance Policies – Life	Permanently
• Insurance Policies – Other	7 years
• Loan Records/Forms 1098	7 years *
• Major Purchase Receipts	7 years
• Medical Expenses	Keep with applicable tax return
• Medical Records	Permanently
• Military Records	Permanently
• Pay Stubs	One year. Discard all but final, cumulative pay stubs for the year
• Photos or Videotape of Valuables	Permanently
• Real Estate Documents	Keep 3-6 years after property has been disposed of and taxes have been paid.
• Tax return and canceled checks for tax payments	Permanently
• Investment/Sales of Stocks & Bonds	7 years

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