

## Records Retention

### **How long should I keep records?**

The length of time you should keep a document depends on the action, expense, or event the document records. Generally, you must keep your records that support an item of income or deductions on a tax return until the period of limitations for that return runs out. The period of limitations is the period of time in which you can amend your tax return to claim a credit or refund, or that the IRS can assess additional tax. The below information contains the periods of limitations that apply to income tax returns. Unless otherwise stated, the years refer to the period after the return was filed. Returns filed before the due date are treated as filed on the due date.

**Note:** Keep copies of your filed tax returns. They help in preparing future tax returns and making computations if you file an amended return.

- **General Statutes**

1. You owe additional tax and situations (2), (3), and (4), below, do not apply to you; keep records for 3 years.
2. You do not report income that you should report, and it is more than 25% of the gross income shown on your return; keep records for 6 years.
3. You file a fraudulent return; keep records indefinitely.
4. You do not file a return; keep records indefinitely.
5. You file a claim for credit or refund\* after you file your return; keep records for 3 years from the date you filed your original return or 2 years from the date you paid the tax, whichever is later.
6. You file a claim for a loss from worthless securities or bad debt deduction; keep records for 7 years.
7. Keep all employment tax records for at least 4 years after the date that the tax becomes due or is paid, whichever is later.

The following questions should be applied to each record as you decide whether to keep a document or throw it away.

- **Are the records connected to assets?**

- Keep records relating to property until the period of limitations expires for the year in which you dispose of the property in a taxable disposition. You must keep these records to figure any depreciation, amortization, or depletion deduction and to figure the gain or loss when you sell or otherwise dispose of the property. Generally, if you received property in a nontaxable exchange, your basis in that

property is the same as the bases of the property you gave up, increased by any money you paid. You must keep the records on the old property, as well as on the new property, until the period of limitations expires for the year in which you dispose of the new property in a taxable disposition.

- **What should I do with my records for nontax purposes?**
  - When your records are no longer needed for tax purposes, do not discard them until you check to see if you have to keep them longer for other purposes. For example, your insurance company or creditors may require you to keep them longer than the IRS does.
  
- **Documents To Keep For One Year**
  - Correspondence with Customers and Vendors
  - Duplicate Deposit Slips
  - Purchase Orders (other than Purchasing Department copy)
  - Receiving Sheets
  - Requisitions
  - Stenographer's Notebooks
  - Stockroom Withdrawal Forms
  
- **Business Documents To Keep For Three Years**
  - Bank Statements and Reconciliation's
  - Employee Personnel Records (after termination)
  - Employment Applications
  - Expired Insurance Policies
  - General Correspondence
  - Internal Audit Reports
  - Internal Reports
  - Petty Cash Vouchers
  - Physical Inventory Tags

- Savings Bond Registration Records of Employees
- Time Cards For Hourly Employees
- **Business Documents To Keep For Six Years**
  - Accident Reports, Claims
  - Accounts Payable Ledgers and Schedules
  - Accounts Receivable Ledgers and Schedules
  - Cancelled Checks
  - Cancelled Stock and Bond Certificates
  - Employment Tax Records
  - Expense Analysis and Expense Distribution Schedules
  - Expired Contracts, Leases
  - Expired Option Records
  - Inventories of Products, Materials, Supplies
  - Invoices to Customers
  - Notes Receivable Ledgers, Schedules
  - Payroll Records and Summaries, including payment to pensioners
  - Plant Cost Ledgers
  - Purchasing Department Copies of Purchase Orders
  - Sales Records
  - Subsidiary Ledgers
  - Time Books
  - Travel and Entertainment Records
  - Vouchers for Payments to Vendors, Employees, etc.
  - Voucher Register, Schedules

- **Business Records To Keep Forever**

- While federal guidelines do not require you to keep tax records "forever," in many cases there will be other reasons you'll want to retain these documents indefinitely.
- Audit Reports from CPAs/Accountants
- Cancelled Checks for Important Payments (especially tax payments)
- Cash Books, Charts of Accounts
- Contracts, Leases Currently in Effect
- Corporate Documents (incorporation, charter, by-laws, etc.)
- Documents substantiating fixed asset additions
- Deeds
- Depreciation Schedules
- Financial Statements (Year End)
- General and Private Ledgers, Year End Trial Balances
- Insurance Records, Current Accident Reports, Claims, Policies
- Investment Trade Confirmations
- IRS Revenue Agents. Reports
- Journals
- Legal Records, Correspondence and Other Important Matters
- Minutes Books of Directors and Stockholders
- Mortgages, Bills of Sale
- Property Appraisals by Outside Appraisers
- Property Records
- Retirement and Pension Records
- Tax Returns and Worksheets

- Trademark and Patent Registrations
- **Personal Documents To Keep For Three Years**
  - Credit Card Statements
  - Medical Bills (in case of insurance disputes)
  - Utility Records
  - Expired Insurance Policies
- **Personal Documents To Keep For Six Years**
  - Supporting Documents For Tax Returns
  - Accident Reports and Claims
  - Medical Bills (if tax-related)
  - Property Records / Improvement Receipts
  - Sales Receipts
  - Wage Garnishments
  - Other Tax-Related Bills
- **Personal Records To Keep Forever**
  - CPA Audit Reports
  - Legal Records
  - Important Correspondence
  - Income Tax Returns
  - Income Tax Payment Checks
  - Investment Trade Confirmations
  - Retirement and Pension Records
- **Special Circumstances**
  - Car Records (keep until the car is sold)
  - Credit Card Receipts (keep until verified on your statement)

- Insurance Policies (keep for the life of the policy)
- Mortgages / Deeds / Leases (keep 6 years beyond the agreement)
- Pay Stubs (keep until reconciled with your W-2)
- Property Records / improvement receipts (keep until property sold)
- Sales Receipts (keep for life of the warranty)
- Stock and Bond Records (keep for 6 years beyond selling)
- Warranties and Instructions (keep for the life of the product)
- Depreciation Schedules and Other Capital Asset Records (keep for 3 years after the tax life of the asset)