



Record Retention Guidelines

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The age-old dilemma of record retention requirements has not gotten any easier - even with the advent of electronic storage. Even if you religiously keep as many of your business records as possible on your computer, and diligently back those records up, you still need to retain many records for varying periods of time. There is not a single statute of limitations for the many categories of records a business needs to hang onto for awhile. Requirements also vary by industry. The art of effective record retention boils down to two standards—reason and risk. Through the implementation of a formal record retention program, you may be able to reduce your costs significantly.

How Long Must Each Record be Kept?

While there are not absolute rules for determining the holding period for many types of records, there are some general guidelines contained in federal and state government publications. For certain types of records, there are government regulations that mandate a required retention period. The following page contains a list of general guidelines for your reference.

How are Records Properly Retained?

Businesses should adopt written record retention policies addressing which records should be retained, for what length of time, and in what manner. The policy should also address electronic records, including provisions for periodic backups and archiving of e-mail and other electronic information, as well as the transferring of electronic information to a read-only format where appropriate.

The policy should provide for document disposition when the retention period has expired. Finally, a specific individual should be given responsibility—and authority—for assuring implementation and compliance with the policy.

Accounting and Tax Records

You must keep records to support income, expenses, and credits you report on each income tax return until the statutory period of limitation 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.

Depending on the nature of your business, it may also be wise to retain insurance policies permanently since claims can occasionally arise from acts that occurred many years in the past. (This is particularly true of environmental claims). Keep a copy of the policy to establish the potential for coverage.

Corporate Documents

Corporate documents should be kept indefinitely. These records include: Articles of Incorporation, By-Laws, Stock Records and Board of Directors' Minutes.

Personnel Records

Employee records, including applications, I-9 forms, and performance reviews, should be retained for at least seven years following termination of the individual's employment. In the event of a charge of discrimination, any documents should be kept for four years after resolution of the charge, if that is longer than the seven years after termination of employment. With respect to job applicants who have not been employed, applications, resumes, and replies should be retained for one year after completion.

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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, as a minimum: the basic information that will verify the accuracy and completeness of all required disclosures, and the Annual Report. This includes 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.

Electronic Record Keeping

The IRS has issued guidelines of 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.

Correspondence

This is a broad category and different types of correspondence may need to be retained for different lengths of time. As a general rule, most correspondence should be retained for at least three years.

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

Accounting Records

Accounts Payable / Electronic Payments	7 years
Accounts Receivable.....	7 years
Credit Card Receipts.....	7 years
Depreciation Schedules	Permanent
Financial Statements (annual).....	Permanent
Fixed Asset Purchases	Permanent
General Ledger	Permanent
Inventory Records	7 years
	(Permanent for LIFO System)
Loan Payment Schedules	7 years
Purchase Orders	7 years
Sales records.....	7 years
Sales and Use Tax Returns	7 years
Tax Returns (Business).....	Permanent
Tax Returns (Individual).....	7 years
Internal Revenue and State Tax correspondence	Permanent

Bank Records

Bank reconciliations	7 years
Bank statements	7 years
Cancelled or substitute checks.....	7 years
	(Permanent for real estate purchases)
Electronic payment records.....	7 years

Business Records

Employment Agreements.....	7 years
Loan Documents.....	7 years
Partnership Agreements	Permanent
Board Minutes.....	Permanent
Business Licenses	Permanent

Business Records (Continued)

By-Laws.....	Permanent
Contracts (Still in Effect)	Permanent
Contracts & Leases (Expired)	7 Years
Insurance Records (Expired)	7 Years
Insurance Records (Current)	Permanent
Worker's Compensation Reports	7 years
Leases/Mortgages	Permanent
Patents/Trademarks	Permanent
Shareholder Records	Permanent
Stock Registers.....	Permanent
Stock Transactions	Permanent

Personnel Records

Accident Reports	7 years
Benefit Plans.....	Permanent
Employee personnel records (after termination)	4 years
	(or statute of limitations for employee lawsuits)
Payroll tax returns.....	7 years
Expense Reports, Time Sheets	7 years
I-9 Forms (after termination)	3 years
Leave Records.....	3 years
Payroll records.....	Permanent
Pension/Profit Sharing Plans	Permanent
Performance Reviews (after termination).....	7 years

Real Estate Property Records

Construction records.....	Permanent
Leasehold improvements.....	Permanent
Lease payment records	Term + 4 years
Real Estate purchase.....	Permanent