

The Record Retention Guide

*Prepared by the Federal Taxation Committee
of the Massachusetts Society of CPAs, Inc.*

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Introduction

Businesses must maintain books and records so that an accounting of the business activities may be performed. Whether it be for an audited financial report, a compilation, a review, a tax return, or a specific management report, businesses must gather, summarize and analyze facts and figures to support reports, tax returns and conclusions. After the report is issued and/or the tax return is filed, the next important question is just how long must these business records be retained.

This handbook offers some guidance by providing a suggested time-frame to maintain records. It has been assimilated from several sources, including the basic IRS Regulation - 26 CFR 1.6001-1,

The Guide of Record Retention Requirements in the Code of Federal Regulations, as well as by reviewing and analyzing numerous record retention schedules.

Before finalizing an entity's record retention procedures, it is recommended that the IRS regulations, state and local government retention requirements and the AICPA's Filing and Record Retention Procedures Guide be reviewed.

Please note: The suggested retention periods shown are not offered as final authority, but as guideposts against which to compare your needs. There may be several situations, for historical or reference purposes, for example, that necessitate longer periods than legally required.

In addition, many specific industries require retention periods that are different than rated here for specific terms. In most cases, the period of retention listed in this guide provides a more conservative retention period.

Additionally, in all circumstances, be aware that the Materiality Rule under Treas. Reg. 1.6001-1, governs that all books and records must be maintained so long as they remain material in the computation of any tax.

Finally, if you are subject to the new rules promulgated by The Sarbanes – Oxley Act, SEC 17CFR, pay careful attention to section 210.2-06 which requires that work papers and other documents that form the basis of an audit or review, including memos, correspondence and e-mail which contain opinions, analysis or financial data, including those that are inconsistent with the auditor's final opinion, be retained for a period of 7 years.

The reader should consult with more authoritative guidance when specific questions need answering.

Please note: Please keep in mind that documentation may include all electronic files and memos. This can include, but is not limited to such items as emails, tax software files, general ledger files, ".pdf" files or any other form of information retention that is created and/or stored electronically.

Record Retention Guide for Business (cont.)

Accounting Systems	Suggested Retention Period
Accounts Payable Ledger	7
Accounts Receivable Aging Reports	7
Accounts Receivable Ledger	7
Accounts Receivable Invoices	7
Accounts Written-Off	7
Authorization – Accounting	5
Balance Sheets	P
Bank Reconciliations	7
Bank Statements	7
Bank Deposit Slips	3
Budgets	3
Cancelled Checks	10
Cancelled Dividend Checks	P
Cash Book	P

Key: Suggested Retention Period

P = Permanent records.

Numeric = Suggested retention period in years.

*7 years following disposition, termination or payoff.

**Maintain permanent records of all the facts necessary for the first taxable year and each succeeding year in which there is a NOL or NOL Carryover. This includes records necessary to determine the identity of 5% shareholders, the percentage of it stock owned by each 5% shareholder and whether IRC Section 382 is applicable.

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Record Retention Guide for Business (cont.)

Accounting Systems (cont.)	Suggested Retention Period
Cash Disbursement & Receipt Record	P
Cash Sales Slips	7
Charge Slips	7
Charts of Accounts	P
Check Register	P
Expense Reports	7
Financial Statements	P
General Ledger	P
Investment – Sales / Purchases	P
Journal Entries	P
Petty Cash Records	7
Profit / Loss Statements	P
Purchase Order	7
Subsidiary Ledger	P

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Record Retention Guide for Business (cont.)

Accounting Systems (cont.)	Suggested Retention Period
Trial Balance	P
Vendor Invoices	7
Voucher Check Copies	7

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Record Retention Guide for Business (cont.)

Corporate Records	Suggested Retention Period
Amendments	P
Annual Reports	P
Articles of Incorporation	P
Audit Reports – Public	P
Audit – Internal	6
Board of Directors – Committee	P
Board of Directors – Minute Book	P
Bylaws	P
Capital Stock Certificates	P
Capital Stock Ledger	P
Capital Stock Transactions	P
Contracts – After Termination	P
Contributions	7
Correspondence – Accounting	5

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Record Retention Guide for Business (cont.)

Corporate Records (cont.)	Suggested Retention Period
Correspondence – General	P
Dividend Register and Cancelled Dividend Checks	P
Election Records	P
Financial Statements	P
Organizational Charts	P
Partnership Agreement	P
Stock Transfer Records	P
Stockholders – Minute Book	P

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Record Retention Guide for Business (cont.)

Fixed Assets	Suggested Retention Period
Depreciation Schedule	P
Inventory Records	P
Plans and Blueprints	P
Plant Cost Ledger	P
Property Appraisals	P
Property Register	P
Records for Property Subject to Depletion	P

Accounting Firms	Suggested Retention Period
Tax Return Preparers	4
Tax Returns Prepared	4

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Record Retention Guide for Business (cont.)

Human Resources	Suggested Retention Period
Accident Reports - Settled	7
Attendance Records	7
Dental Benefits	5
Disability Benefits - After Expiration/Settlement	7
Employee Medical History	7
Employment Application – Not Hired	3
Garnishments	5
Life Insurance Benefits	5
Medical Benefits	7
Pension Plan Agreement	P
Performance Record - After Termination	7
Personnel File - After Termination	7
Personnel Files - Current Employees	P
Profit Sharing Agreement	P

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Record Retention Guide for Business (cont.)

Human Resources (cont.)	Suggested Retention Period
Safety Reports	5
Vacation Files	4
Workers' Compensation Benefits	10
Sick Pay	4
Family & Medical Leave	3

Insurance	Suggested Retention Period
Automobile Insurance Claims	10
Disability Insurance Claims – After Termination	7
Expired Insurance Policies	10
Fire Inspection Reports	6
Insurance Appraisals	6
Safety Records	6
Foreign Insurance Policies	3

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Record Retention Guide for Business (cont.)

Legal	Suggested Retention Period
Bill of Sale	P
Business Permits	P
Claims and Litigation Concerning Torts and Breach of Contract	P
Contracts – Employees	P
Contracts – Government	P
Contracts – Labor Union	P
Contracts – Special	P
Copyrights	P
Correspondence – Legal	P
Deeds / Titles	P
Leases / Canceled	20
Licenses	P
Mortgages	P

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Record Retention Guide for Business (cont.)

Legal (cont.)	Suggested Retention Period
Notes Receivable – Canceled	10
Patents	P
Stock and Bond Record	P
Trademarks – Registered	P

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Record Retention Guide for Business (cont.)

Payroll	Suggested Retention Period
Contractors	3 years from date of completion of contract
Checks – Payroll	7
Commission Reports – Salesperson	6
Employee Withholding Exemption Certificates	10
Payroll Register	4
Payroll Records – After Termination	10
Salary History	8
Time Reports	7
W-2 Forms	P
Vacation / Sick Pay	4
Large Food or Beverage Establishment Reporting Tips	3
Employee Tip Substantiation	3, ***

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Record Retention Guide for Business (cont.)

Security	Suggested Retention Period
Classified Material Violations	P
Visitor Clearance	2

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Record Retention Guide for Business (cont.)

Taxation	Suggested Retention Period
Tax Free Reorganization	P
338 Election	7 years
Canceled Checks – Tax Payments	P
Correspondence – Tax	P
Depreciation Schedules	P
Income Tax Returns	P
Inventory Reports	P
FUTA / FICA / Income Tax Withholding	4
Payroll Tax Returns	P
Revenue Agent Reports	P
Sales Tax Returns	P
NOL Company	**
AMT NOL Company	**
Transfer Pricing	4

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Record Retention Guide for Business (cont.)

Miscellaneous	Suggested Retention Period
Receiving Documents	10
Title Papers	P
Vehicle Operating and Maintenance	2
Telecommunication Copies	1
Prepaid Dues Income	4
Financial Institution Loan Loss Reserves	P
Mutual Savings Bank Bad Debt Reserve	P

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Record Retention Guide for Individuals

Individual Records	Suggested Retention Period
Tax Return Copies	P
Medical Receipts	7
Forms 1099 Received	7
Forms W2 Received	P
401 K / Keogh Statements	7*
IRA Statements (Deductible & Nondeductible)	7 / P
Loan Records / Forms 1098	7*
Annuity Year End Statements	7*
Insurance Policies – Life	P
Insurance Policies – Other	7
Major Purchase Receipts	7
Year-End Brokerage Statements / Trade Confirmations	7*
Certificates of Deposit Statements	7
Schedule K-1's from Partnership or S Corporation	7*

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Record Retention Guide for Individuals (cont.)

Individual Records (cont.)	Suggested Retention Period
House Records (Cancelled Checks for Purchase of Major Improvements and Maintenance)	P
Birth and Death Certificates	P
Medical Records	P
Wills	P
Trust Agreements	P
Detailed List of Financial Assets Held	P
Alimony, Custody or Prenuptial Agreements	P
Military Papers	P
Photos or Videotape of Valuables	P

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How to Prove Certain Business Expenses

If you have expenses for:	Then you must keep records that show details of the following elements:			
	Amount	Time	Place or Description	Business Purpose & Business Relationship
Travel	Cost of each separate expense for travel, lodging and meals. Incidental expenses may be totaled in reasonable categories such as taxis, daily meals for traveler, etc.	Dates you left and returned for each trip and number of days spent on business	Destination or area of you travel (name of city, town, or other designation).	Purpose: Business purpose for the expense of the business benefit gained or expected to be gained. Relationship: N/A
Entertainment	Cost of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled on a daily basis.	Date of entertainment. (Also see Business Purpose.)	Name and address of location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see Business Purpose.)	Purpose: Business purpose for the expense of the business benefit gained or expected to be gained. For entertainment, the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion: the date, place, nature, and duration of the business discussion and the identities of the persons who took part in both the business discussion and the entertainment activity. Relationship: Occupations or other information (such as names, titles, or other designations) about the recipients that shows their business relationship to you. For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal.
Gifts	Cost of the Gift. Fair market value as of date of gift.	Date of the gift.	Description of the gift.	
Transportation	Cost of each separate expense. For car expense, the cost of the car and any improvement, the date you started using it for business, the mileage for each business use and the total miles for the year.	Date of the expense. For car expense, the date of the use of the car.	Your business destination.	Purpose: Business purpose for the expense. Relationship: N/A

Substantiation for Charitable Deductions

If you have charitable deductions, then you must keep records that show details of the following elements:

Amount	Substantiation
Less than \$250	In writing by receipt or by pay stub for P/R deduction.
More than \$250	As above, plus contemporaneous written acknowledgement of cash amount or description of goods donated, and statement of goods or services received in exchange. Manner of acquisition and cost basis.
More than \$5,000	As above, and needs written appraisal.