

Record Retention

Record retention is a must, whether for personal, business, or tax reasons. However, record retention is necessary only to the extent it serves a useful purpose or satisfies legal requirements. For example, generally the IRS must assess additional tax within three years after the due date on a return. The period is six years if the taxpayer omits items of gross income that in total exceed 25 percent of gross income reported on the return. If a fraudulent return is filed or if no return is filed, there is no limit to the period the tax can be assessed. In practice however, most individuals and businesses retain records based on available space.

Individuals, businesses, and accounting firms facing record retention must answer two questions:

1. What must I keep?
2. How long do I have to keep it?

Following are charts devised for:

- Businesses
- Healthcare Practices
- Individuals

This schedule should only be used as a guide. Retention periods are conservatively long, and are suggested with federal requirements in mind. Be sure to check with local and state authorities for specific record retention requirements.

Details on many aspects of record retention, including tax records, can be found in Guide to Record Retention Requirements in the Code of Federal Regulations, a publication available from the Superintendent of Documents or from Commerce Clearing House.

BUSINESS RECORD RETENTION

General/Miscellaneous Business Records

Retention Period	Item
7 years	Accounts payable ledgers and trial balances
7 years	Accounts receivable ledgers and trial balances
Permanent	Audit reports of accountants
3 years	Bills of lading
Permanent	Chart of accounts
7 years	Expense analyses/expense distribution schedules
7 years	Expired contracts and notes receivable
Permanent	Financial statements (year-end, other optional)
Permanent	General Ledgers (end-of-year trial balances)
3 years	Insurance policies (expired)
Permanent	Insurance records, current accident reports, claims, policies, etc.
7 years	Inventories of products, materials, and supplies
7 years	Invoices to clients and vendors
7 years	Invoices from vendors
Permanent	Journals
Permanent	Minute books of directors and stockholders, including by-laws and charter
1 year	Magnetic tape and tab cards
7 years	Notes receivable ledgers and schedules
7 years	Paid bills and vouchers
7 years	Perpetual inventory records
7 years	Physical inventory records
Permanent	Plant cost ledgers
7 years	Purchase journals
1 year	Purchase orders (except purchasing department copy)
7 years	Purchase orders (purchasing department copy)
1 year	Receiving sheets
7 years	Requisitions
7 years	Sales journals
3 years	Sales commissions reports
7 years	Scrap and salvage records (inventories, safes, etc.)
3 years	Shipping tickets
7 years	Stockroom withdrawal forms
7 years	Subsidiary ledgers
7 years	Uncollectable accounts and write offs
7 years	Voucher register and schedules
7 years	Voucher for payments to vendors, etc.

Banking Records

Retention Period	Item
7 years	Bank reconciliations
7 years	Bank statements and deposits
Permanent	Cash books
7 years	Cash receipts and disbursements
7 years	Cancelled checks (except as below)
Permanent	Checks (cancelled, for important payments, i.e. taxes, purchases of property, special contracts, etc. Checks should be filed with the papers pertaining to the underlying transaction.)
7 years	Petty cash vouchers

Employment Records

<u>Retention Period</u>	<u>Item</u>
3 years	Applications (except of employees actually hired)
3 years	Assignments and garnishments
3 years	Employee personnel records (after termination)
3 years	Employment applications
7 years	Forms W-4's
7 years	Payroll records and summaries
7 years	Payroll reports (federal and state)
Permanent	Retirement and pension records
7 years	Savings bond registration records of employees
7 years	Time books/cards
7 years	Voucher for payments to employees (includes all allowances and reimbursement of employee officers)

Tax Records

<u>Retention Period</u>	<u>Item</u>
Permanent	Depreciation schedules
7 years	Documents, receipts, worksheets, etc., as to property (both real estate and stocks, bonds, tax shelters, etc.) no longer owned. Keep until property is disposed of, plus 7 years
Permanent	Federal, state and local tax returns and any documents relating to tax audits, adjustments, etc.
Permanent	Fixed asset records and appraisals
Permanent	Interim and year-end financial statements and trial balances
Permanent	Monthly trial balances
7 years	Worksheets, lists, schedules, etc., supporting tax return items-generally

Legal Documents

<u>Retention Period</u>	<u>Item</u>
7 years	Cancelled stock and bond certificates
Permanent	Capital stock records
7 years	Contracts, mortgages, notes and leases (expired)
Permanent	Contracts and leases still in effect
7 years	Corporate minute books, charter, by-laws and minutes. Keep until you cease being a shareholder, plus 7 years
3 years	Correspondence general
Permanent	Correspondence (legal and important matters only)
Permanent	Deeds, mortgages, and bills of sale
Permanent	Original promissory notes which you have paid off – unless returned and marked "Paid"
7 years	Partnership agreements, corporate employment/shareholder agreements, etc., keep permanent until expired, plus 7 years
Permanent	Patents and related papers
7 years	Promissory notes receivable and other documents of debts owing to you (after full payment)
1 year	Stock and bond certificate (cancelled)
Permanent	Trademark registrations and copyrights

ADDITIONAL RECORD RETENTION FOR HEALTHCARE PRACTICES

Medical Records

Retention Period	Item
Permanent	Medical correspondence (to patients, to referrers about patients, etc.)
Permanent	Patient Charts
Permanent	X-rays

Business Records

Retention Period	Item
7 years	Day sheets, patient billing or fee slips and other original entry items
3 years	Internal monthly summaries, management reports and interim financial reports
Permanent	Accountants' annual financial reports and underlying schedules, work papers, etc.
3 years	Expired insurance policies (except malpractice)
Permanent	Insurance records, current claims, reports and related materials
Permanent	Malpractice insurance policies
7 years	Purchase invoices and paid bills
7 years	Third party insurance claims, records and correspondence

Banking Records

Retention Period	Item
Permanent	Cancelled checks for major items including: taxes, major asset purchases, real estate improvements, special contracts, etc. (to be filed with papers for the underlying transaction)

PERSONAL RECORD RETENTION

Retention Period	Items
7 years	Accident reports and claims (settled cases)
Permanent	Capital stock and bond records
7 years	Checks (cancelled, but see exception below)
Permanent	Checks (cancelled, for important payments, i.e. taxes, purchases of property, special contracts, etc. Checks should be filed with the papers pertaining to the underlying transaction.)
7 years	Contracts mortgages, notes and leases (expired)
Permanent	Contracts and leases still in effect
Permanent	Correspondence (legal and important matters only)
Permanent	Deeds, mortgages, and bills of sale
3 years	Insurance policies (expired)
Permanent	Insurance records, current accident reports, claims, policies, etc.
Permanent	Property appraisals by outside appraisers
1 year	Stock and bond certificate (cancelled)
Permanent	Tax returns and worksheets, revenue agents' reports and other documents