

The Record Retention Guide 2014



Provided by
Graham & Graham, P.C.

Certified Public Accountants
Business Advisors & Management Consultants

The Solution Group

www.grahamcpa.com

174 Court St, Laconia, NH (603) 527-8721

15 N. Main St., Ste 204, Concord, NH (603) 225-2944

6 Main Street, Springfield, VT (802) 885-5340

162 North Main St, Ste 206, Barre, VT (802)356-2423

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P—Permanent Record Retention

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 be each 5% shareholder and whether IRC Section 382 is applicable.
- *** As long as the contents there-of may become material in the administration of any Internal Revenue Law

INTRODUCTION

Businesses must maintain book 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.

Keeping records for nontax purposes. When your records are no longer needed for tax purposes, do not discard them until you check to see if they should be kept longer for other purposes. Your insurance company or creditors may require you to keep certain records longer than the IRS does.

Finally, if you are subject to the 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.

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.

Accounting Firms Suggested Retention Period

Audit Records7
 Reviews of Financial Statements.....7
 Tax Return Preparers4
 Tax Returns Prepared4

Accounting Systems

Accounts Payable Ledger7
 Accounts Receivable Aging Reports7
 Accounts Receivable Ledger7
 Accounts Receivable Invoices7
 Accounts Written-off7
 Authorization - Accounting5
 Balance SheetsP
 Bank Reconciliations7
 Bank Statements7
 Bank Deposit Slips3
 Budgets3
 Cancelled Checks10
 Cancelled Dividend ChecksP
 Cash BookP
 Cash Disbursement & Receipt RecordP
 Cash Sales Slips7
 Charge Slips7
 Charts of AccountsP
 Check RegisterP
 Expense Reports7
 Financial StatementsP
 General LedgerP
 Investment - Sales/PurchasesP
 Journal EntriesP
 Petty Cash Records7
 Profit/Loss StatementsP
 Purchase Order7
 Subsidiary LedgerP
 Trial BalanceP

Vendor Invoices7
 Voucher Check Copies7

Corporate Records Suggested Retention Period

AmendmentsP
 Annual Reports.....P
 Articles of Incorporation.....P
 Audit Reports - Public.....P
 Audit - Internal6
 Board of Directors - CommitteeP
 Board of Directors - Minute BookP
 BylawsP
 Capital Stock CertificatesP
 Capital Stock LedgerP
 Capital Stock TransactionsP
 CharterP
 Contracts - After TerminationP
 Contributions7
 Correspondence - Accounting5
 Correspondence - GeneralP
 Dividend Register
 and Cancelled Dividend ChecksP
 Election RecordsP
 Financial StatementsP
 Organizational ChartsP
 Partnership AgreementP
 Stock Transfer RecordsP
 Stockholders - Minute BookP

Fixed Assets

Depreciation ScheduleP
 Inventory RecordsP
 Plans and BlueprintsP
 Plant Cost LedgerP
 Property AppraisalsP
 Property RegisterP
 Records for Property Subject to DepletionP

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

Safety Reports 5

Vacation Files 4

Workers' Compensation Benefits 10

Sick Pay 4

Family & Medical Leave 3

Individual Records

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*

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

Insurance

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

Legal

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 10

Licenses P

Mortgages P

Notes Receivable - Canceled 10

Patents	P
Stock and Bond Record	P
Trademarks - Registered	P

PAYROLL SUGGESTED RETENTION PERIOD

Keep all records of employment taxes for at least four years after filing the 4th quarter for the year. These should be available for IRS review.

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	4
Employee Tip Substantiation	4

SECURITY

Classified Material Violations	P
Visitor Clearance	2

TAXATION

Tax Free Reorganization	P
338 Election	7
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 of Estate	3
Transfer Pricing	4
Utility Property Tax.....	3

MISCELLANEOUS

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

Charitable Deductions

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.

IF you...	THEN the period is...
1. Owe additional tax and situations (2), (3), and (4), below, do not apply to you	3 years
2. Do not report income that you should report and it is more than 25% of the gross income shown on the return	6 years
3. File a fraudulent return	Not limited
4. Do not file a return.....	Not limited
5. File a claim for credit or refund after you filed your return	Later of: 3 years or 2 years after tax was paid
6. File a claim for a loss from worthless securities or a bad debt deduction	7 years

From Publication 583—IRS period of limitations

How to Prove Certain Business Expenses

THEN you must keep records that show details of the following elements...				
IF you have expenses for...	Amount	Time	Place or Description	Business Purpose and Business Relationship
Travel	Cost of each separate expense for travel, lodging, and meals. Incidental expenses may be totaled in reasonable categories such as taxis, fees and tips, etc.	Dates you left and returned for each trip and number of days spent on business.	Destination or area of your travel (name of city, town, or other designation).	Purpose: Business purpose for the expense or 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 or location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see Business Purpose.)	Purpose: Business purpose for the expense or 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.
Gifts	Cost of the gift.	Date of the gift.	Description of the gift.	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.
Transportation	Cost of each separate expense. For car expenses, the cost of the car and any improvements, 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 expenses, the date of the use of the car.	Your business destination.	Purpose: Business purpose for the expense. Relationship: N/A

Source: http://taxmap.ntis.gov/taxmap/pub17/p17-147.htm#en_us_publink1000173891