



How long should you keep records?

How long you need to keep tax and business records depends on the nature of the information and how you use it. Very little specific guidance is available, even from the IRS.

Generally, you are required to keep records that will enable the IRS to determine your correct tax. Usually the federal statute of limitations runs out three years after a tax return is due or filed, whichever is later. However, the statute runs for six years if there is an omission from gross income of 25% or more. In the case of fraud or failure to file, there is no time limit.

Each state can determine its own statute of limitations. For example, Wisconsin's basic state statute runs for four years.

If you are in an industry subject to federal regulation (Labor Department requirements if you have employees, for example), you must also follow the record retention requirements of those branches of government.

We offer this schedule as a starting point. Consult your attorney before implementing any business record retention policy.

Record Retention Schedule

Businesses

Accounts receivable & payable ledgers	7 years
Articles & certificates of incorporation	Permanently
Appointment books	4 years
Audit reports of accountant.....	Permanently
Bank statements & reconciliations	7 years
Bylaws and charter	Permanently
Canceled checks (or images) - general	7 years
Canceled checks (or images) - important payments	Permanently
Capital stock & bond records; canceled certificates.....	Permanently
Cash receipts & sales journals.....	7 years
Cash disbursements & purchases journals	7 years
Contracts & leases (after termination)	20 years
Correspondence - routine (with vendors etc.).....	Optional
Correspondence - sales	4 years
Correspondence - legal & important.....	Permanently
Deeds, mortgages, bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	4 years
Drafts paid.....	3 years
Employee personnel records (after termination).....	4 years
Employment tax records.....	4 years
Expense account analysis	7 years
Financial statements (annual)	Permanently
Financial statements (monthly).....	3 years
Income tax returns & revenue agent reports.....	Permanently
Insurance - current policies, claims, accidents.....	Permanently
Insurance - expired policies	10 years
Internal audits (dependent on what is being audited)	Varies
Inventories	7 years
Invoices - customers & vendors.....	7 years
Minute books - directors & stockholders	Permanently
Net operating loss carryovers, carrybacks (after use).....	7 years
Notes (cancelled)	7 years after cancellation
Pension & profit sharing information	Permanently
Petty cash vouchers	4 years
Property appraisals by outside appraisers.....	Permanently
Property records - costs, plans, blueprints.....	Permanently
Sales invoices.....	7 years
Sales & use tax returns	Permanently
Scrap & salvage records (after write-off).....	7 years
Stockholders' records.....	Permanently
Trademarks, patents, copyrights	Permanently
Uncollectible accounts (bad debts)	7 years

Individuals

Gift tax returns.....	Permanently
Income tax returns	Permanently
Net operating loss carryovers, carrybacks.....	Until 7 years after use
Documents supporting income & deductions (but see below for basis information).....	7 years
Depreciation schedules	Until 7 years after full disposition

IRA basis information: (1) Form 1040, page 1 for all nondeductible regular IRA contributions, (2) all Forms 8606 & related calculations, (3) all Forms 5498 or similar statements with regular or Roth contributions & (in distribution years) account value, (4) Forms 1099-R or W-2P for each year of distribution, & (5) U.S. interest (if state provides an exclusion) Until 7 years after account distribution

Other basis information

.....	Until 7 years after full disposition
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- Real estate:
 - Price, closing costs, improvements
 - Basis adjustments (depreciation, casualty loss deductions, etc.)
 - Deferred gain from other property (like-kind exchange, etc.)
- Stocks, bonds, other securities
- Partnerships & S corps - initial investment, all K-1s, later investments, withdrawals
- Mutual funds - initial & later investments; all reinvested & nontaxable dividends
- Property received as a gift - donor's adjusted basis, date of gift, fair market value on that date, gift tax paid by donor

Charitable contributions.....

.....	Until 7 years after taking the deduction
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- Carryovers
- For all monetary donations, a bank record or substantiation from the donee
- For all noncash donations, a donee receipt & record of donee name & items donated (used items must be in good condition)
- For \$250 or more (cash or noncash) - written substantiation from the donee with (1) donor's name, (2) date, (3) amount, & (4) value of any goods or services provided or a statement that none were provided
- For noncash donations valued at more than \$5,000, a qualified appraisal
- For vehicle, boat, and aircraft donations, special rules apply - call us for information

Record Retention Schedule

Employment and Payroll Records

Accident reports & claims - cases not yet settled	Permanently
Accident reports & claims - settled cases	7 years
Applications, resumes, job advertisements, etc. related to employees	4 years after termination
Applications, resumes, job advertisements, etc. related to nonemployees	2 years after the advertisement or interview
CPE records	4 years after termination
Documents supporting payments	7 years
Employee actions (disciplinary, terminations, promotions, training opportunities)	1 year
Employee benefits information	7 years
Employee time cards and time sheets	7 years
Employment contracts	4 years after termination
Expense reports	7 years
Form W-4 / WT-4	4 years after information was last used to prepare a return
Form I-9 (after termination)	Later of 3 years after filing or 1 year after termination
Individual employee earnings' records	7 years
Payroll journals	7 years
Payroll tax returns (monthly, quarterly, annual)	Permanently
Performance evaluations	4 years after termination
Safety records	7 years

Retirement Plans

Participants' accounts	Permanently
General ledgers and financial statements	Permanently
Correspondence, etc.	5 years
IRS approval letter	Permanently

Websites for Reference

American Payroll Association

www.americanpayroll.org/weblink/statelocal

U.S. Department of Labor

www.dol.gov

Internal Revenue Service

www.irs.gov

U.S. Citizenship and Immigration Services

www.uscis.gov

This document is intended to be used as a guideline. Various regulatory, statutory and industry practices may supercede these general recommendations. Consult your attorney before implementing any business record retention policy.