



Record Retention Guide

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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 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. *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

| ACCOUNTING SYSTEMS | RETENTION PERIOD in YEARS |
|------------------------------------|---------------------------|
| 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 Reconciliation | 7 |
| Bank Statements | 7 |
| Bank Deposit Slips | 3 |
| Budgets | 3 |
| Canceled Checks | 10 |
| Cancelled Dividend Checks | P |
| Cash Book | P |
| 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 |
| Trial Balance | P |
| Vendor Invoices | 7 |
| Voucher Check Copies | 7 |

| CORPORATE RECORDS | RETENTION PERIOD in YEARS |
|---|----------------------------------|
| 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 |
| Charter | P |
| Contracts / After Termination | P |
| Contributions | 7 |
| Correspondence Accounting | 5 |
| 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 |

| FIXED ASSETS | 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 | RETENTION PERIOD |
|-------------------------|-------------------------|
| Tax Return /Preparers | 4 |
| Tax Returns /Prepared | 4 |

| HUMAN RESOURCES | 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 |

| INSURANCE | 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 |

| LEGAL | 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 | 10 |
| Licenses | P |
| Mortgages | P |
| Notes Receivable / Canceled | 10 |
| Patents | P |
| Stock and Bond Record | P |
| Trademarks / Registered | P |

| PAYROLL | RETENTION PERIOD |
|---|-------------------------|
| Contractors 3 years from date of completion of contract | 3 |
| 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 |
| W2 Forms | P |
| Vacation/Sick Pay | 4 |
| Large Food Establishment Reporting Tips | 3 |
| Employee Tip Substantiation | 3 |

| SECURITY | RETENTION PERIOD |
|--------------------------------|-------------------------|
| Classified Material Violations | P |
| Visitor Clearance | 2 |

| TAXATION | RETENTION PERIOD |
|----------------------------------|-------------------------|
| Tax Free Reorganization Election | P 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 |
| Company Transfer Pricing | 4 |

| MISCELLANEOUS | 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 |

Record Retention Guide for Individuals

| INDIVIDUAL RECORDS | 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 |
| Loan Records / Forms 1098 | 7 |
| Annuity Year End Statements | 7 |
| Insurance Policies / Life | P |
| Insurance Policies /Other | 7 |
| Major Purchase Receipts | 7 |
| Yearend Brokerage Statements/Trade Confirmations | 7 |
| Certificates of Deposit Statements | 7 |
| Schedule K1 from Partnership or S Corporation | 7 |
| House Records | 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 |

P = Permanent records.

Numeric = Suggested retention Period in years

The following table describes several new federal laws and their requirements. It also shows the Internet source for more information on these laws.

| Who is Affected? | Documents Covered | Law | Internet Source |
|--|--|---|---|
| All Businesses | Consumer reports and identifying information | Fair & Accurate Credit Transactions Act (FACTA) | http://www.ftc.gov/opa/2005/06/disposal.htm |
| Health care -Providers | Patient medical records | Health Insurance - Portability & Accountability Act (HIPAA) | http://www.hipaa.org/ |
| Financial Institutions | Consumer identifying and credit records | Gramm Leach Bliley (GLB) | http://www.ftc.gov/privacy/privacyinitiatives/glbact.html |
| Publicly held businesses and accounting firms | Accounting audit and working - Papers | Sarbanes Oxley (SOX) | http://www.sarbanes-oxley-forum.com/ |

FACTA

Effective June 2005, this law requires businesses that collect customer information to ensure that the information is protected from "unauthorized access or use." In addition, the Disposal Rule requires that when such information is discarded, it must be appropriately destroyed by shredding, burning or -Pulverizing. The federal government's website states that "although the Disposal Rule applies to consumer reports and the information derived from consumer reports, the Federal Trade Commission encourages those who dispose of **any records containing a consumer's -Personal or financial information** to take similar -Protective measures."

HIPPA (Health Insurance -Portability and Accountability Act)

This 1996 law and the accompanying 2002 regulation known as the -Privacy Rule restrict how health care -Providers may handle and disclose -Patient health information. In general, health care entities must ensure that only approved -Personnel handle -Protected health information and then only for -Purposes specified in the law and

regulation. Archives Mountain can help your business comply with these requirements by

- Storing -Protected health information in a secure commercial records center
- Storing electronic files on our secure servers
- Signing a business associate agreement with your medical -Practice to limit your liability for stored health information
- Destroying inactive medical records in accord with state medical society guidance and in compliance with HIPAA regulations
- Converting -Paper medical files to encrypted electronic files to
 1. Save office space
 2. Provide easy access to records
 3. Limit access only to individuals you -Provide with designated -Passwords and encryption software

Gramm Leach Bliley

This 1999 law requires financial institutions and businesses that receive -Personal information in the course of conducting their business to establish safeguards for the handling and disclosure of that information. Archives Mountain can help your business comply with this law by

- Storing sensitive hard copy information in our secure commercial records center
- Limiting access to sensitive information only to individuals you approve in advance
- Shredding and recycling discarded documents including sensitive paper documents and electronic media to prevent identity theft

Sarbanes Oxley

This 2002 legislation creates new requirements for businesses and accountants to maintain corporate audit records or review working -Papers for - 5 years beyond the year in which an audit is concluded. The new law also creates -Penalties for destroying or altering documents that are relevant to contemplated or ongoing investigations or official actions. Archives Mountain can help businesses and accounting firms and their clients comply with the law by

- Establishing a retention and destruction schedule for audit documents that complies with federal law
- Storing audit records off site to limit the -Potential for tampering or inappropriate destruction
- Creating electronic versions of -Paper records to -Provide "back ups" of original documents in the event the originals are inadvertently lost, altered, or destroyed.