

Guide to Record Retention for Business

What records does your business need to keep, and how long do you need to keep them? Normally, business records need to be maintained until after the expiration of the statute of limitations for a tax year. The current Federal statute is three years from the due date of the return, including extensions. The three-year rule extends to six years if more than 25% of gross income is omitted from a return. In addition, the assessment period does not begin to run until a return is filed. Therefore, if the IRS claims that a return was never filed for a particular year, it can assess tax for that year at any time (even beyond three or six years); unless it can be proven that the return was filed.

Today, many business records are stored electronically. While electronic storage saves time and space, it increases the risk of accidental loss or damage. To prevent this, your computer system should be backed up regularly with the backup copy stored in an offsite fireproof location.

Suggested Guidelines:

Keep Indefinitely:

- Audit reports by accountants
- Bills of sale for major items, including cancelled checks
- Board minutes, by-laws, certificates of incorporation
- Business licenses
- Capital stock records
- Chart of accounts
- Contracts and leases that are current
- Credit history
- Deeds and mortgages
- Insurance records
- Legal correspondence
- Patents/trademarks
- Pension/profit sharing plans
- Property records, appraisals, etc.
- Real estate purchases
- Shareholder records
- Stock registers/transactions

Keep for 7 years:

- Accounts receivable and payable ledgers
- Bank statements
- Cancelled checks
- Cancelled stock certificates
- Cash journals; cash disbursements, cash receipts, etc.
- Contracts and leases that have expired
- Deposit slips
- Expense reports; T & E expense items
- Financial statements (annual)
- Fixed asset records
- General ledgers
- Inventory records (indefinitely for LIFO)
- Invoices, customer and vendor
- Notes receivable ledgers
- Payroll and related records (other than noted below)
- Revenue records; sales journals, account currents

Keep for 5 years:

- Accounting correspondence
- Time cards and daily time reports

Keep for 3 years:

- Employment applications
- Expired insurance policies
- General correspondence
- Internal reports
- Petty cash vouchers

Courtesy of Mansperger Patterson & McMullin, PLC

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