

Record Retention Guidelines for Individuals and Businesses By: Kevin L. Lynch, CPA

As Certified Public Accountants, we are often asked how long would we suggest that you maintain your individual or business records. In order to aid our clients with this issue of record retention, we will do a two-part article providing you with guidelines on how long you should retain your records. We know that prolonged record retention is a costly practice, but premature record destruction can lead to the loss of vital information.

In this issue we will focus on the guidelines for individual record retention. The Internal Revenue Service calls for a six-year statute of limitations. The IRS has three years from the date the return is filed to question or audit it. However, if the IRS can prove an omission of at least 25% of gross income, the time period doubles to six-years. This is why you will notice that we are recommending a seven-year period for most items, that provides a one-year cushion beyond the time frame. It is important to remember that these are only general guidelines, and certain circumstances such as pending or potential litigation may require an extension of time for record retention.

<u>TYPE OF RECORD</u>	<u>RETENTION PERIOD</u>	<u>TYPE OF RECORD</u>	<u>RETENTION PERIOD</u>
Tax Returns	Permanent	Estate Planning Documents	Permanent
W-2's	7 years	Home Purchase Documents	Ownership Period + 7 years
1099's	7 years	Home Improvement Receipts & Cancelled Checks	Ownership Period + 7 years
Bank Statements	7 years	Insurance Policies	Life of Policy + 3
Bank Deposit Slips	7 years	Investment Property Purchase Documents	Ownership Period + 7 years
Brokerage Statements (year-end)	Ownership Period + 7 years	Investment Purchase and Sales	Ownership Period + 7 years
Cancelled Checks Supporting Deductions	7 years	IRA Annual Reports	Permanent
Charitable Contribution Documentation	7 years	IRA Nondeductible Contributions (Form 8606)	Permanent
Credit Card Statements	7 years	Loans	Term of Loan + 7 yrs
Dividend Reinvestment Records	Ownership Period + 7 years	Receipts, Diaries, Logs Pertaining to Return	7 years
Divorce Documents	Permanent	Retirement Plan - Annual Statement	Permanent

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Company
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once again!**

We are proud to announce that our firm has once again successfully completed an *on-site* Quality Review. Last fall, our firm underwent a peer review by another independent CPA firm. Recently, we were informed of the results. Our auditing standards, accounting practices, and quality control systems were carefully reviewed by a team of independent CPA's. Our firm received an *unqualified report*, which is the highest level of report that can be granted.

Quality Reviews protect the public's interest and are vital in maintaining higher standards of the accounting profession. ♦

In the next issue of "The Informer", we will present Part II of the series on record retention discussing how long you should keep business and corporate records. ♦

Record Retention Guidelines for Individuals and Businesses, Part II

By: Kevin L. Lynch, CPA

In the spring issue of "The Informer", we discussed the appropriate retention periods for individual record retention. In this issue, we will provide you with guidelines on retaining your business and corporate records. Business documents are an important history of your business' transactions with customers, vendors, creditors, and employees. These records should be maintained and available to resolve questions that may arise in the future.

Your business records should be easily accessible to authorized personnel in your business. Your business records should be maintained in accordance with the general guidelines set forth below. Certain circumstances such as pending or potential litigation may require an extension of time for record retention. Your legal counsel should be consulted prior to discarding documents that may be subject to an extended retention period.

Special requirements may apply to documents or information maintained on computer systems. According to Revenue Ruling 71-20, magnetic media records "are required to be retained so long as the contents may become material in the administration of any internal revenue law." In general, the holding period for magnetic media is the same as the hard-copy holding period requirements. ♦

Type of Record	Retention Period	Type of Record	Retention Period
Accounts Payable	7 years	Board Minutes	Permanent
Accounts Receivable	7 years	Bylaws	Permanent
Audit Reports	Permanent	Business Licenses	Permanent
Bank Statements	7 years	Contracts - Major	Permanent
Bank Reconciliations	2 years	Contracts - Minor	Life + 4 years
Cancelled Checks - Important	Permanent	Insurance Policies	Life + 3 years (check with agent)
Cancelled Checks - Other	7 years	Leases/Mortgages	Permanent
Chart of Accounts	Permanent	Patent/Trademarks	Permanent
Depreciation Schedules	Permanent	Shareholder Records	Permanent
Expense Records	7 years	Stock Registers	Permanent
Financial Statements (Annual)	Permanent	Stock Transactions	Permanent
Fixed Asset Purchases	Permanent	Benefit Plans	Permanent
General Ledger	Permanent	Employee Files (Ex-Employees)	7 years (3 years)
Inventory Records	7 years	Employment Applications	3 years
Loan Payment Schedules	7 years	Employment Taxes	7 years
Purchase Orders (1 Copy)	7 years	Payroll Records	7 years
Sales Records	7 years	Pension/Profit Sharing Plans	Permanent
Tax Returns	Permanent	Correspondence - Legal	Permanent