

BUSINESS RECORDS RETENTION SCHEDULE

Internal Revenue Code Section 6001

Consistent record retention supports a paper trail for organization activities and serves as documentation for a financial or IRS audit. The IRS offers record retention guidelines in Code Section 6001 and Publication 583 – Starting a Business and Keeping Records.

Heed the special retention requirements at the state level. For example, the tax collecting agency may have special requirements of trade show contracts or the agency approving continuing education may require forms be kept for a specific period.

Your organization's accountant and attorney should provide advice on adopting a record retention schedule. Have the board adopt it as a *policy*; then have the staff conduct an annual file-cleanup to dispose of unnecessary documents.

Business records retention is required by the Internal Revenue Code, Employee Retirement Income Security Act and Uniform Commercial Code. The following business record retention schedule considers those laws.

Accordingly, this schedule should be used as a guide, modified as necessary to meet your specific needs. Be sure to contact legal and accounting professionals for specifics applying to your organization and its activities.

PERMANENT RECORDS

- r Audit reports of CPAs
- r Cancelled checks for important payments, i.e., taxes, purchases of property, special contracts, etc. (checks should be filed with the papers pertaining to the underlying transaction)
- r Capital stock and bond records: ledger, transfer registers, stubs showing issues, record of interest coupons, options, etc.
- r Cash books
- r Chart of Accounts
- r Correspondence (legal and important matters only)
- r Deeds, mortgages, and bills of sales, as well as contracts and leases still in effect
- r Financial statements-end of year (other months optional)
- r General and private ledgers
- r Insurance records, current accident reports, claims policies
- r Journals
- r Minute books of directors and stockholders, including by-laws and charter
- r Property appraisals by outside appraisers
- r Property records-including costs, depreciation reserves, and end-of-year trial balances, depreciation schedules, blueprints and plans
- r Tabulating records related to above areas
- r Tax returns and worksheets, Revenue Agents' Reports and other documents relating to determination of income tax liability

- r Trademark registrations

SIX TO SEVEN YEARS

- r Accident reports and claims (settled cases)
- r Accounts payable (see Voucher Register)
- r Accounts receivable ledgers and trial balances
- r Cancelled checks (see exception under Permanent Records)
- r Cancelled stock and bond certificates and expired options
- r Contracts and leases (expired)
- r Expense analyses and expense distribution schedules
- r Inventories of products, materials and supplies
- r Inventories to customers
- r Invoices from vendors (see Vouchers)
- r Notes receivable ledgers and trial balances
- r Payroll records and summaries, including payments to pensioners
- r Employee personnel records after termination (if a retirement plan was in effect, regardless if employee was a plan participant); (if employee was a participant in a pension plan, consult your plan advisor)
- r Retirement Plan returns and reports (from filing date of such returns and reports)
- r Retirement Plan accounting records (to correspond with returns and reports)
- r Purchase orders (purchasing department copy)
- r Sales records
- r Scrap and salvage records-inventories, sales, etc.
- r Subsidiary ledgers to the general ledger and trial balances
- r Time books
- r Voucher register and trial balances
- r Vouchers for payments to vendors, employees, etc. (including allowances and reimbursement of employees, officers, etc., for travel and entertainment expenses)

TWO TO THREE YEARS

- r Applications for Employment
- r Employee personnel records after termination (see exception under Six to Seven Years)
- r General Correspondence
- r Insurance policies which have expired
- r Internal audit reports, including working papers (in some situations, longer retention periods may be desirable)
- r Miscellaneous internal reports
- r Petty cash vouchers
- r Physical inventory tags

- r Savings bond registration records of employees

ONE YEAR OR LESS

- r Bank reconciliations (keep one year)
- r Bank statements (keep one year)
- r Correspondence of unimportant nature with customers or vendors
- r Duplicate deposit slips
- r Purchase orders (except purchasing department copy)
- r Receiving sheets
- r Requisitions
- r Stenographers' notebooks
- r Stockroom withdrawal forms

Note: It is critical to seek the advice of legal and accounting professionals when adopting a record retention schedule and board policy on record retention.