

Record Retention Guide

Federal law requires you to maintain copies of your tax returns and supporting documents for three years. However, if the IRS believes you have significantly under reported your income (by 25 percent or more), or believes there may be indication of fraud, it may go back six years in an audit. It is advised that you keep tax file records for up to 7 -10 years.

To be safe, use the following guidelines:

Create a Backup Set of Records and Store Them Electronically. Keeping a backup set of records -- including, for example, bank statements, tax returns, insurance policies, etc. -- is easier than ever now that many financial institutions provide statements and documents electronically, and much financial information is available on the Internet.

Even if the original records are provided only on paper, they can be scanned and converted to a digital format. Once the documents are in electronic form, taxpayers can download them to a backup storage device, such as an external hard drive, USB, burn them onto a CD, or a secure Cloud. Don't forget to label your files. This is also perfect way to keep records if you live in a disaster-prone area that is subject to weather conditions like floods, hurricanes, or tornadoes.

Lock it up. Keep your hard copied in a secure lock box or hard case portable file box that needs a passcode, key, thumb print, or combination that you only have access to open it. You may want to consider a safety deposit box as an option as well.

Emails: Do NOT store sensitive information like, your tax return file, copies of your driver's license, social security numbers, credit card, or bank account information in your emails. There are hackers who can go in your emails without you knowing to look for such information. Your tax preparer should be able to send your files password protected, and they should be able to receive your verifying documents over a secured platform. If not, confirm with your tax preparer that emails containing sensitive information are deleted.

Caution: Identity theft is a serious and growing threat in today's world, and it is important to take every precaution to avoid it. After it is no longer necessary to retain your tax records, financial statements, or any other documents with your personal information, you should dispose of these records by shredding them and not disposing of them by merely throwing them away in the trash.

Personal Documents To Keep

For One Year

Bank Statements
Paycheck Stubs (reconcile with W-2)
Canceled checks
Social security reports
Monthly/quarterly mutual fund and retirement contribution statements (reconcile with yearend statement)

For Three Years

Credit Card Statements
Medical Bills (in case of insurance dispute)
Utility Records
Expired Insurance Policies

For Six – 10 Years (Supporting Documents for Tax Returns)

Accident Reports and Claims
Medical Bills (if tax-related)
Property Records / Improvement Receipts
Sales Receipts
Wage Garnishments
Other Tax-Related Bills

Personal Records to Keep Forever

Audit Reports
Legal Records
Important Correspondence
Income Tax Returns
Income Tax Payment Checks
Investment Trade Confirmations
Retirement and Pension Records
Sales Receipts (for the life of warranty)
Depreciation Schedules and Other Capital Asset Records (keep for 3 years after the tax life of the asset)

Car Records (keep until the car is sold)
Credit Card Receipts (keep with statement)
Insurance Policies (for the life of the policy)
Mortgages / Deeds / Leases
Property Improvement receipts (until property sold)
Stock and Bond Records (6years beyond selling)
Warranties and Instructions (for the life of product)

Business Documents to Keep

For One Year

Correspondence with Customers and Vendors	Requisitions
Duplicate Deposit Slips	Stenographer's Notebooks
Purchase Orders	Stockroom Withdrawal Forms
Receiving Sheets	

For Three Years

Employee Personnel Records (after termination)	Time Cards for Hourly Employees
Employment Applications	Savings Bond Registration Records of Employees
Expired Insurance Policies	General Correspondence
Internal Audit Reports	Internal Reports
Petty Cash Vouchers	Physical Inventory Tags

For Six Years

Accident Reports, Claims	Notes Receivable Ledgers, Schedules
Accounts Payable Ledgers and Schedules	Payroll Records and Summaries
Accounts Receivable Ledgers and Schedules	Plant Cost Ledgers
Bank Statements and Reconciliations	Purchasing Department Copies of Purchase Orders
Cancelled Checks	Sales Records
Cancelled Stock and Bond Certificates	Subsidiary Ledgers
Employment Tax Records	Time Books
Expense Analysis and Expense Distribution Schedules	Travel and Entertainment Records
Expired Contracts, Leases	Vouchers for Payments to Vendors, Employees, etc.
Expired Option Records	Voucher Register, Schedules
Inventories of Products, Materials, Supplies	Invoices to Customers

Keep Forever

Audit Reports from CPAs/Accountants
Cancelled Checks for Important Payments (especially tax payments)
Cash Books, Charts of Accounts
Contracts, Leases Currently in Effect
Corporate Documents (incorporation, charter, by-laws, etc.)
Documents substantiating fixed asset additions
Deeds
Depreciation Schedules
Financial Statements (Year End)
General and Private Ledgers, Year End Trial Balances
Insurance Records, Current Accident Reports, Claims, Policies
Investment Trade Confirmations
IRS Revenue Agents' Reports
Journals
Legal Records, Correspondence and Other Important Matters
Minute Books of Directors and Stockholders
Mortgages, Bills of Sale
Property Appraisals by Outside Appraisers
Property Records
Retirement and Pension Records
Tax Returns and Worksheets
Trademark and Patent Registrations

