

## RECORDS RETENTION What to Keep, What to Toss Out?\*

The art of effective record retention boils down to two standards – reason and risk. Some business owners fear risking adverse consequences and hang on to everything forever, an unreasonable behavior resulting in landfills. Others trash everything early and often, an unreasonably risky path to neatness.

The age-old dilemma of record retention requirements hasn't gotten any easier, even with the advent of electronic storage. Even if clients religiously keep as many of their business records as possible on computer and diligently back those records up, they'll still need to retain many hard copy records for varying periods of time.

There is no single statute of limitations for the many categories of records a business or individual needs to hang on to for awhile. Requirements also vary widely by industry.

Below is a list of generally accepted, reasonable time periods recommended by ADP, Inc.\*, for retaining business records that you may want to implement. The choice, of course, is yours.

|   |                      |   |              |
|---|----------------------|---|--------------|
| Accident reports and claims (settled cases)   | 7 years              | Insurance policies (expired)  | 3 years      |
| Accounts payable ledgers and schedules  | 7 years              | Inventories of products, materials, supplies  | 7 years      |
| Accounts receivable ledgers and schedules   | 7 years              | Invoices to customers   | 7 years      |
| Audit reports of accountants  | Indefinitely         | Invoices from vendors   | 7 years      |
| Bank reconciliations  | 1 year               | Journals  | Indefinitely |
| Bank statements   | 7 years              | Licenses  | Indefinitely |
| Cash books  | Indefinitely         | Loan documents, notes   | Indefinitely |
| Chart of accounts   | Indefinitely         | Minute books of directors and stockholders, including by-laws and charters                  | Indefinitely |
| Checks (canceled, see exceptions below)   | 7 years              | Notes receivable ledgers and schedules  | 7 years      |
| Checks (canceled for important payments, i.e., taxes, purchases of property, special contracts, etc.) | Indefinitely         | OSHA logs   | 5 years      |
| Construction documents  | Indefinitely         | Payroll records and summaries, pensions, payroll taxes                                      | 7 years      |
| Contracts and leases (expired)  | 7 years              | Petty cash vouchers   | 3 years      |
| Contracts and leases still in effect  | Expiration + 7 years | Property appraisals by outside appraisers   | Indefinitely |
| Correspondence (general)  | 3 years              | Property records  | Indefinitely |
| Correspondence (important)  | Indefinitely         | Purchase orders (purchasing department copy)  | 7 years      |
| Deeds, mortgages, bills of sale, titles   | Indefinitely         | Receiving sheets  | 1 year       |
| Depreciation schedules  | Indefinitely         | Sales records   | 7 years      |
| Duplicate deposit slips   | 1 year               | Scrap and salvage records (inventories, sales, etc.)  | 7 years      |
| Electronic fund transfer documents  | 7 years              | Subsidiary ledgers  | 7 years      |
| Employee personnel records (after termination)  | 7 years              | Tax returns and worksheets, agents' reports, any documents relating to income tax liability | Indefinitely |
| Employment applications   | 3 years              | Time books/cards  | 7 years      |
| Expense analyses and expense distribution schedules   | 7 years              | Trade mark registrations  | Indefinitely |
| Financial statements (end-of-year, other months optional)   | Indefinitely         | Voucher register and schedules  | 7 years      |
| General and private ledgers (and end-of-year trial balances)  | Indefinitely         | Vouchers for payments to vendors, employees, etc.   | 7 years      |
| I-9's (after termination)   | 1 year               | W-4 forms   | 4 years      |
|   |                      | Workmans' comp. documents   | 11 years     |

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### **What Information Does Garcia Garman and Shea, PC Keep?**

For financial statement Audits, Reviews and Compilations we conduct, we keep the paper and/or electronic versions of the financial statements and required work papers for 7 years from the date of issuance.

For Forms 1099/1098, payroll taxes forms and W-2's and sales taxes we prepare, we keep the paper and/or electronic versions of these items for 5 years from the date of issuance.

For individual, partnership, corporate, and estate/trust income tax returns (Forms 1040, 1065, 1120, 1041, etc.) prepared by us, we keep the paper and/or electronic versions of these returns and supporting documents for 7 years from the date of issuance.

Other important documentation and tax returns, including but not limited to Estate Planning, Death Tax and Gift Tax (Forms 706 and 709) and support, Retirement Plan Documents and Returns (Form 5500), S-Election Forms, Articles of Incorporation or Formation, Shareholder or Partnership Agreements, employment agreements, or real estate settlement sheets (HUD-1), to name a few, may be kept by us for as long as our client maintains a relationship with us. Once an entity ceases to be a client, those documents will be destroyed after 7 years.

We keep information relating to our billing, invoices submitted to clients, and internal time records for no longer than 3 complete years beyond the current year.

In our electronic age, there are instances where we might keep as part of our data archive client information going back longer than the periods stated above. We may even segregate certain documents in anticipation of destruction. Should this happen, we are not obligated to extend the time periods listed above nor do we commit ourselves retain the same information for another clients. Once we have met our policy commitment, we reserve the right to destroy documents at any time we see fit.