

For the Record: Keep Those Important Documents

The 1998 IRS Reform Act shifted the burden of proof from the taxpayer to the Internal Revenue Service (IRS) in certain situations. Does this mean that you can toss those records that have been taking up space in your office? Hardly. The rules will not apply if you cannot come up with the proper documentation.

Here is a sample of some common records and how long they should be kept. You may keep these records in a condensed format (tape, computerized, etc.), but you will need to have the means necessary to reproduce a copy when called upon. See the points below to determine how long your documents should be saved:

Keep Forever

- Audit reports of accountants.
- Capital stock records.
- Canceled checks for important payments (i.e., taxes, purchases of property, contracts).
- Contracts and leases in effect.
- Correspondence (legal and important matters only).
- Deeds, mortgages, and bills of sale.
- Financial statements.
- General and private ledgers.
- Insurance records, current accident reports, claims, policies, etc.
- Journals.
- Minute books of directors and stockholders, including by-laws and charter.
- Property records including costs, depreciation reserves, end-of-year trial balances, depreciation schedules, blue prints and plans, and property appraisals by outside appraisers.
- Tax returns and worksheets, revenue agents' reports and other documents relating to determination of income tax liability.
- Trade mark registrations.

Keep At Least 7 Years

- Accident reports and claims (settled cases).
- Accounts payable ledgers and schedules.
- Accounts receivable ledgers and schedules.
- Canceled checks.
- Contracts and leases (expired).
- Expense analyses and distribution schedules.
- Inventories (products, materials, supplies).
- Invoices to customers.
- Invoices from vendors.
- Notes receivable ledgers and schedules.
- Payroll records and summaries, including payments to pensioners.
- Purchase orders (purchasing dept. copy).
- Sales records.
- Scrap and salvage records.
- Stock certificates (canceled).
- Subsidiary ledgers.
- Time books.
- Voucher registers and schedules.
- Vouchers for payments to vendors, employees, etc. (includes allowances and reimbursement of employees, officers for travel and entertainment expenses).

Keep For 3 Years

- Correspondence (general).
- Employment applications and personnel records (after termination).
- Insurance policies (expired).
- Internal audit reports (minimum 3 years).
- Petty cash vouchers.
- Physical inventory tags.

Keep For 1 Year

- Bank reconciliations and deposit slips.
- Correspondence (routing) with customers or vendors.
- Purchase orders (except purchasing department copy).
- Receiving sheets.
- Requisitions.
- Stockroom withdrawal forms.