



How long should you keep records?

How long you need to keep tax and business records depends on the nature of the information and how you use it. Very little specific guidance is available, even from the IRS.

Generally, you are required to keep records that will enable the IRS to determine your correct tax. Usually the federal statute of limitations runs out three years after a tax return is due or filed, whichever is later. However, the statute runs for six years if there is an omission from gross income of 25% or more. In the case of fraud or failure to file, there is no time limit.

Each state can determine its own statute of limitations. For example, Wisconsin's basic state statute runs for four years.

If you are in an industry subject to federal regulation (Labor Department requirements if you have employees, for example), you must also follow the record retention requirements of those branches of government.

We offer this schedule as a starting point. Consult your tax professional before implementing any business record retention policy.

Record Retention Schedule

Businesses

Accident reports & claims - cases not yet settled.....	Permanently
Accident reports & claims - settled cases.....	7 years
Accounts receivable & payable ledgers.....	7 years
Articles & certificates of incorporation.....	Permanently
Appointment books.....	4 years
Audit reports of accountant.....	Permanently
Audit reports of accountant.....	Permanently
Bank statements & reconciliations.....	7 years
Bylaws.....	Permanently
Canceled checks (or images) - general.....	7 years
Canceled checks (or images) - important payments.....	Permanently
Capital stock & bond records; canceled certificates....	Permanently
Cash receipts & sales journals.....	7 years
Cash disbursements & purchases journals.....	7 years
Contracts & leases (after termination).....	20 years
Correspondence - routine (with vendors etc.).....	Optional
Correspondence - sales.....	4 years
Correspondence - legal & important.....	Permanently
Deeds, mortgages, bills of sale.....	Permanently
Depreciation schedules.....	Permanently
Employee time cards & timesheets.....	7 years
Employee personnel records (after termination).....	4 years
Employment tax records.....	4 years
Expense account analysis.....	7 years
Financial statements (annual).....	Permanently
Income tax returns & revenue agent reports.....	Permanently
Insurance - current policies, claims, accidents.....	Permanently
Inventories.....	7 years
Invoices - customers & vendors.....	7 years
Minute books - directors & stockholders.....	Permanently
Net operating loss carryovers, carrybacks (after use)...	7 years
Payroll tax returns.....	Permanently
Payroll journals.....	7 years
Pension & profit sharing information.....	Permanently
Petty cash vouchers.....	4 years
Property records - costs, plans, blueprints.....	Permanently
Safety records.....	7 years
Sales invoices.....	7 years
Sales & use tax returns.....	Permanently
Scrap & salvage records (after write-off).....	7 years
Trademarks, patents, copyrights.....	Permanently
Uncollectible accounts (bad debts).....	7 years

Individuals

Gift tax returns.....	Permanently
Income tax returns.....	Permanently
Net operating loss carryovers, carrybacks.....	Until 7 years after use
Documents supporting income & deductions (but see below for basis information).....	7 years
Depreciation schedules.....	Until 7 years after full disposition
IRA basis information:	
(1) Form 1040, page 1 for all nondeductible regular IRA contributions, (2) all Forms 8606 & related calculations,	
(3) all Forms 5498 or similar statements with regular or Roth contributions & (in distribution years) account value,	
(4) Forms 1099-R or W-2P for each year of distribution, &	
(5) U.S interest (if state provides an exclusion).....	
	Until 7 years after full account distribution
Other basis information.....	Until 7 years after full disposition
*Real estate:	
* Price, closing costs, improvements	
*Basis adjustments (depreciation, casualty loss deduction, etc.)	
*Deferred gain from other property (like-kind exchange, etc.)	
*Stocks, bonds, other securities	
*Partnerships & S corps - initial investment, all K-1s, later investments, withdrawals	
*Mutual funds - initial & later investments; all reinvested & nontaxable dividends	
*Property received as a gift - donor's adjusted basis, date of gift, fair market value on that date, gift tax paid by donor	
Charitable contributions.....	Until 7 years after taking the deduction
*Carryovers	
*For all monetary donations, a bank record or substantiation from the donee	
*For all noncash donations, a donee receipt & record of donee name & items donated (used items must be in good condition)	
*For \$250 or more (cash or noncash) - written substantiation from the donee with (1) donor's name, (2) date, (3) amount, & (4) value of any goods or services provided or a statement that none were provided	
*For noncash donations valued at more than \$5,000, a qualified appraisal	
For vehicle, boat, and aircraft donations, special rules apply - call us for information	

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