



# SALMON BEACH & ASSOCIATES, PLLC

*Certified Public Accountants & Consultants*

## RECORDS RETENTION SCHEDULE

<u>Retention Period</u>	<u>Retention Period</u>
Accident reports/claims (settled cases) .....7 yrs.	Minute books of directors, stockholders, bylaws, & charter ..... Permanently
Accounts payable ledgers & schedules .....7 yrs.	Notes receivable ledgers & schedules ..... 7 yrs.
Accounts receivable ledgers & schedules .....7 yrs.	Option records (expired) ..... 7 yrs.
Audit reports.....Permanently	Patents & related papers ..... Permanently
Bank reconciliations .....2 yrs.	Payroll records & summaries ..... 7 yrs.
Bank statements .....3 yrs.	Personnel files (terminated) ..... 7 yrs.
Capital stock & bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc .....Permanently	Petty cash vouchers ..... 3 yrs.
Cash books .....Permanently	Physical inventory tags ..... 3 yrs.
Charts of accounts .....Permanently	Plant cost ledgers ..... 7 yrs.
Checks (canceled – see exception below) .....7 yrs.	Property appraisals by outside appraisers..... Permanently
Checks (canceled for important payments – i.e., taxes, purchases of property, special contracts, etc. Checks should be filed with the papers pertaining to the underlying transaction.).....Permanently	Property records, including costs, depreciation reserves, year-end trial balances, depreciation schedules, blueprints, & plans ..... Permanently
Contracts, mortgages, notes, & leases (expired) .....7 yrs.	Purchase orders (except purchasing department copy) ..... 1 yr.
Contracts, mortgages, notes, & leases (still in effect) .....Permanently	Purchase orders (purchasing department copy) ..... 7 yrs.
Correspondence (general) .....2 yrs.	Receiving sheets ..... 1 yr.
Correspondence (legal & important matters only) ..Permanently	Retirement & pension records ..... Permanently
Correspondence (routine) with customers and/or vendors .....2 yrs.	Requisitions ..... 1 yr.
Deeds, mortgages, & bills of sale .....Permanently	Sales commission reports ..... 3 yrs.
Depreciation schedules .....Permanently	Sales records ..... 7 yrs.
Duplicate deposit slips .....2 yrs.	Scrap & salvage records (inventories, sales, etc.) ... 7 yrs.
Employment applications .....3 yrs.	Stenographers' notebooks ..... 1 yr.
Expense analyses/expense distribution schedules....7 yrs.	Stocks & bonds certificates (canceled).....7 yrs.
Financial statements (year-end, other optional) .....Permanently	Stockroom withdrawal forms ..... 1 yr.
Garnishments .....7 yrs.	Subsidiary ledgers ..... 7 yrs.
General/private ledgers, year-end trial balance.....Permanently	Tax returns & worksheets, revenue agents' reports, & other documents relating to determination of income tax liability ..... Permanently
Insurance policies (expired).....3 yrs.	Time books/cards ..... 7 yrs.
Insurance records, current accident reports, claims, policies, etc .....Permanently	Trademark registrations & copyrights..... Permanently
Internal audit reports (longer retention periods may be desirable).....3 yrs.	Training manuals ..... Permanently
Internal reports (miscellaneous).....3 yrs.	Union agreements ..... Permanently
Inventories of products, materials, & supplies .....7 yrs.	Voucher register & schedules ..... 7 yrs.
Invoices (to customers, from vendors).....7 yrs.	Vouchers for payments to vendors, employees, etc. (includes allowances & reimbursement of employees, officers, etc., for travel & entertainment expenses) ..... 7 yrs.
Journals .....Permanently	Withholding tax statements ..... 7 yrs.

*The retention period is the number of years from the date the tax return was filed.*

*All material presented is for general information only and should not be acted upon without professional assistance.*

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**FOCUSED  
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**R**etaining and storing your income tax records is an important final step of your tax filing responsibility. This refresher covers the rules for keeping your tax records along with some information on storage options.

When determining how long to keep most of your income tax records, you should look at the timeframe during which the IRS can audit a return and assess a tax deficiency or in which you can file an amended return. For most taxpayers, this period is three years from the original due date of the return or the date the return is filed, if later.

For example, if you file your 2003 Form 1040 on or before April 15, 2004, the IRS has until April 15, 2007, to audit the return and assess a deficiency. However, if a return includes a substantial understatement of income, which is defined as omitting income exceeding 25% on the amount reported on the return, the statute of limitations period is extended to six years. There is no statute of limitations when no return or a fraudulent return is filed.

A good rule of thumb for keeping tax records is to *add a year* to the IRS statute of limitations period. Using this approach, you should keep your income tax records for a minimum of four years, but it may be more prudent to retain them for seven years, which is what the IRS informally recommends. State tax rules must also be considered, but holding records long enough for IRS purposes will normally suffice for state tax purposes, assuming the federal and state returns were filed at the same time.

Certain tax records, however, should be kept much longer than described above, and some should be maintained indefinitely. Records substantiating the cost basis of property that could eventually be sold, such as investment property and business fixed assets, should be retained based on the record retention period for the year in which the property is sold. Tax returns, IRS and state audit reports, and business ledgers and financial statements are examples of the types of records you should normally retain indefinitely.

Keep in mind that there may be non-tax reasons to keep certain records beyond the time needed for tax purposes. This might include documents such as insurance policies, leases, real estate closing statements, employment records, and other legal documents. **SalmonBeach** will be happy to provide additional guidance.

It is also important to know that the IRS permits taxpayers to store certain documents electronically. Although the rules are aimed primarily at businesses and sole proprietors, they presumably apply to other individuals as well. The rules permit taxpayers to convert paper documents to electronic images and maintain only the electronic files. The paper documents can then be destroyed.

We hope this brief overview helps you understand the income tax record retention rules. If you have any questions regarding your specific situation or if you would like to discuss these rules in more detail, please give us a call at 972.392.1143 or toll free at 888.332.4829. ■