

RECORD RETENTION

Any organization more than five years old no doubt has banker's boxes full of documents from its past – payroll records, employee files for long-since-terminated colleagues, back-up for paid bills, and so on – taking up space in your office. How long do you need to keep them around? Your organization **needs a written policy** that lists each type of document and how long it should be kept, and addresses the need for confidential and secure storage.

To update the guidelines below, I did a web-search under “record retention” and it turned up 476,000 results. I looked at a few hundred of them, and here's what I noticed:

- digital records should be addressed separately in your policy;
- you can hire an outside company to handle all your record storage and disposal for you;
- there are hundreds of record retention policies available on the web and most of them are for governments or universities;
- you can find piece-meal advice, too, such as Paychex' guidelines for retaining payroll records or the IRS' Pub. 583;
- requirements for retention of digital data are quite unclear – one website reports research discovering that there are more than 10,000 state and federal laws governing record retention, and some of them are in conflict with each other.

So how does the staff in a small organization develop an appropriate policy in a short time? You can start with the guidelines below and adjust them to fit your organization. Here's what to do:

1. **Review each item on the list and eliminate it if it doesn't apply to you.**
2. **Consider that the list may not include a type of document** that your organization generates or receives and add any you think of to the list.
3. **Review grants and contracts with foundations and branches of government** for record retention requirements they may impose. **Look for clauses in your agreements** that state how long after the end of the contract the funder can request your records. Then check those retention periods against what's in the guidance below and modify them as needed.
4. Because each state has different laws governing legal issues your organization's documents may need to address, **ask an attorney in your state to review the policy** and point out any areas where you need to adjust the retention period.

Consider these points as you develop your policy:

- What are the worst-case consequences of not being able to locate the document in three years? In seven years? In ten years?
- Is there a legal requirement to keep it?
- Does a third party impose a requirement to keep it?
- Could it eventually be used to support or oppose a position in an investigation or legal dispute of some kind? To support a balance sheet or income statement item?
- Could you get a copy of it someplace else if you need to replace it?

As you file documents away each year, write on the box a description of the contents and the “destroy date”. You'll be glad you did when it's time to clean out the storage room!

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Shredding documents is the safest way, short of burning them outright, to dispose of them. If you always shred documents you're disposing of, you don't have to worry that you've put clients, employees, or your organization at risk of identity theft or other invasions of their privacy.

RECORD RETENTION GUIDELINES

The suggested retention period begins at the end of the fiscal year during which the document was created.

For records supporting tax returns, the retention period begins on the filing date of the new return or its due date with extensions, whichever is later. Where a + is listed after the holding period, it indicates that the retention period begins after termination, expiration, disposal, etc. "P" in the retention column means "permanently".

Records are listed in four categories: Accounting, Corporate, Insurance, and Taxes.

Item	Retention Period in Years
ACCOUNTING RECORDS	
Auditors' reports	P+
Bank deposit slips	3
Bank reconciliations	3
Bank statements	3
Bills of lading	3
Budgets and projections	2
Cancelled checks (physical check or data storage)	7
Check log (for checks received)	3
Commission reports	6
Contracts to purchase:	
Personal property	6+
Real property	10+
Contracts with trade vendors	3
Contracts to provide services	3
Cost accounting records	5
Credit memos	6
Delivery receipts	3
Depreciation and fixed asset records	7+
Employee expense reports	3
Employee payroll reports (W-2, W-4, earnings reports)	4+
Equipment leases	6+
Financial statements	
Annual (audited and nonaudited)	P+
Interim	3
Internal work orders and requisitions	3
Inventory records	3+
Invoices for:	
Merchant purchases	3

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Sales and cash register tapes	3
Journals:	
Cash disbursements	10
Cash receipts	10
General	P+
Payroll	10
Pension	P+
Purchases	10
Royalty	10
Sales	10
Land options	10+
Ledgers:	
General	P+
Subsidiary (AR, AP, etc)	7
Pension plan:	
Actuarial reports	P+
Financial statements	P+
IRS approval letter	P+
Plan and trust agreement	P+
Petty cash records	3
Production and sales or service reports	3
Purchase order copies	3
Receiving reports	3
Repair receipts for:	
Buildings	7
Equipment	5
Security and brokerage slips	7+
Shipping tickets	5
Time cards and sheets	3
Uncollectible accounts records	7
Year-end journal entries	P
CORPORATE	
Articles of incorporation	P
Bond records	P
Contracts and agreement:	
Employment	P
Government	P
Labor	P
Partnership	P
Vendor	7
Copyrights, patents, and trademark registration	P
Correspondence:	
Accounting	5
Credit and collection	7
General	3
Legal	P
Personnel	7+
Deeds and titles	P
Easements	20

RECORD RETENTION

Fidelity bonds	3+
Licenses	1+
Minutes of board meetings	P
Personnel files	4+
Property:	
Appraisals	P
Building permits	P
Plans and specifications	P
INSURANCE	
Accident reports	7
Fire damage reports	6
Fire inspection reports	6
Group disability reports	8
Group disability claims	10+
Insurance policies	6+
Safety records	6
Settled insurance claims	3+
TAXES	
Tax returns:	
990, all types	P
Payroll	4
Pension (all 5500 series returns)	P
Personal property	10
Sales and use	P

The retention periods recommended above are not guarantees! Be sure the laws of your state and the agreements you enter into do not require you to hold onto your documents longer than these guidelines suggest.