



## North Carolina Law Life

### Record-Keeping: How Long and Why Does it Matter?

By: Donna Ray Berkelhammer. Monday, April 23rd, 2012

This time of year often leaves people wondering how long they should keep their financial records, which ones are important, and why they should be kept. In addition, certain corporate records can and should be discarded on a regular schedule, while other should be maintained forever.

#### Tax and Financial Records: What's important

Federal tax returns can be audited for up to three years after filing (six if there is under-reported or unreported income). Most accountants and **tax attorneys** recommend keeping backup documentation for the following categories to support your personal or business tax return for at least 7 years (longer where indicated in parentheses):



financial statements, charts only for 5 years (Photo credit: Mitmensch0812)

- Cancelled checks
- Credit card receipts
- Paid invoices
- Bank deposit slips
- Bank statements
- Tax returns (uncomplicated)
- Employment tax returns
- Expense records
- Entertainment records

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- Inventory records
- Complicated tax returns (permanent)
- Employment tax returns (permanent)
- Home improvement records (ownership plus 7 years)
- Investment records (ownership plus 7 years)
- Financial statements (permanent)
- General ledger (life of business plus 7 years)
- Depreciation schedules (life of assets plus 7 years)

### Employment Records: What's Important?

A web of federal and state employment laws have different **document retention** periods. But these records are discoverable by a disgruntled or aggrieved employee who sues the business. It is therefore important to know how long certain documents need to be retained, to implement a data destruction policy and to follow the policy routinely. That way, you keep what you need to keep, but no longer than necessary. Of course, your particular requirements and industry specification may be different, and this would be a good time to consult with an **employment attorney**.

- Personnel records (7 years)
- Medical and benefit records (6 years)
- I-9 forms (4 years after termination of employment)
- Pre-employment records (application background checks, etc.) (2 years)

### Corporate Records that should be permanently maintained:

- Corporate minute book and meeting minutes
- Stock Ledger
- Contracts
- Real Estate Records

Don't forget that computers, copiers and scanners may hold **copies** of your documents on their hard drives. Remember to clean these out before returning leased products or recycling.

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