

Record Retention REQUIREMENTS

WHAT IS AN ENROLLED AGENT?

Enrolled agents (EAs) are federally authorized tax practitioners who have demonstrated technical competence in tax law, and they are the only taxpayer representative who is licensed by the United States government. Only EAs, attorneys and certified public accountants (CPAs) may represent taxpayers without limitation before the IRS. Unlike attorneys and CPAs (who may or may not choose to specialize in taxes), all EAs specialize in taxation and are required by the federal government to maintain their professional skills with continuing professional education. EAs advise and represent taxpayers who are being examined by the IRS, taxpayers who are unable to pay their tax liabilities, and taxpayers who wish to avoid or recover penalties. EAs prepare tax returns for individuals, partnerships, corporations, estates, trusts and any other entity with tax-reporting requirements.

THE HISTORY OF ENROLLED AGENTS

The role of the enrolled agent in this country's taxation system begins in the late 1800's, and it closely parallels the evolution of our national history. Just after the Civil War, many citizens had problems settling claims with the government for horses and other property confiscated for use in the war effort. After many petitions and much pleading, Congress, in 1884, endowed enrolled agents with the power of advocacy to prepare claims against the government and seek equitable justice for the citizenry. For many years, the purpose of the enrolled agent was to act in this capacity. In 1913, when legislation enacting a national income tax was passed, the job of the enrolled agent was expanded to include claims for monetary relief for citizens whose taxes had become inequitable. As the tax on income, estate, gift and other sources of



tax collections became more complex, the role of the enrolled agent increased to include the preparation of the many and various tax forms that were required. Additionally, as audits became more prevalent, enrolled agents found their role changing once again, this time to that of taxpayer advocacy and negotiating with the IRS on behalf of their clients.

In 1972, EAs united to form a national association to represent the needs and interests of EAs and the rights of the American taxpayer. That association, the National Association of Enrolled Agents, has an even stronger continuing educational requirement than the federal government. Through NAEA and its state affiliates, the membership has furthered the professionalism of the discipline, and has successfully championed legislative and administrative rules that benefit the tax practitioner and the American taxpayer.

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National Association of Enrolled Agents



To find an enrolled agent in your area, go to:
www.naea.org

HOW LONG DO I HAVE TO KEEP WHAT RECORDS?

Tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects under reported income. It is wise to keep tax records at least seven years after a return is filed. Requirements for records

kept electronically are the same as for paper records. Generally, follow these recommended periods for various documents.

Business Accounting Records	Retention Period
Accounts payable	7 years
Accounts receivable	7 years
Audit reports	Permanent
Chart of accounts	Permanent
Depreciation schedules	Permanent
Expense records	7 years
Financial statements (annual)	Permanent
Fixed asset purchases	Permanent
General ledger	Permanent
Inventory records	7 years ¹
Loan payment schedules	7 years
Purchase orders (1 copy)	7 years
Sales records	7 years
Tax returns	Permanent

Bank Records	Retention Period
Bank reconciliations	2 years
Bank statements	7 years
Cancelled checks	7 years ²
Electronic payment records	7 years

Corporate Records	Retention Period
Board minutes	Permanent
Bylaws	Permanent
Business licenses	Permanent
Contracts — major	Permanent
Contracts — minor	Life + 4 years
Insurance policies	Life + 3 years ³

Corporate Records	Retention Period
Leases/mortgages	Permanent
Patents/trademarks	Permanent
Shareholder records	Permanent
Stock registers	Permanent
Stock transactions	Permanent

Real Property Records	Retention Period
Construction records	Permanent
Leasehold improvements	Permanent
Lease payment records	Life + 4 years
Real estate purchases	Permanent

Employee Records	Retention Period
Benefits plans	Permanent
Employee files (ex-employees)	7 years ⁴
Employee applications	3 years
Employment taxes	7 years
Payroll records	7 years
Pension/profit sharing plans	Permanent

Individual Records	Retention Period
Tax returns (uncomplicated)	7 years
Tax returns (all others)	Permanent
W-2s	7 years
1099s	7 years
Cancelled checks supporting tax deductions	7 years
Bank deposit slips	7 years

Individual Records	Retention Period
Bank statements	7 years
Charitable contribution documentation	7 years
Credit card statements	7 years
Receipts & logs pertaining to tax returns	7 years
Investment purchase and sales slip	Ownership period + 7 years
Dividend reinvestment records	Ownership period + 7 years
Year-end brokerage statements	Ownership period + 7 years
Mutual fund annual statements	Ownership period + 7 years
Investment property purchase documents	Ownership period + 7 years
Home purchase documents	Ownership period + 7 years
Home improvement receipts and cancelled checks	Ownership period + 7 years
Home repair receipts and cancelled checks	Warranty period for item
Retirement plan annual reports	Permanent
IRA annual reports	Permanent
IRA nondeductible contributions Form 8608	Permanent
Insurance policies	Life of policy + 3 years ³
Divorce documents	Permanent
Loans	Term of loan + 7 years
Estate planning documents	Permanent

¹ Permanent for last-in-first-out system
² Permanent for real estate purchases
³ Check with your agent. Liability for prior years can vary.
⁴ Or statute of limitations for employee lawsuits