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## **A Primer On How Long Records Must Be Maintained**

Sharon L. Shaff, CPA, MST, Shareholder

One of the most common questions we receive from clients is related to how long they must maintain records of business activities. As you know, businesses are required to gather, summarize and analyze data for a variety of reasons ranging from supporting management or financial reports to filing tax returns. Even after these needs have been fulfilled, the question remains, “Just how long must I retain these records?”

This issue of our newsletter offers guidance on this topic by providing a suggested timeframe to maintain records. It has been compiled from several respected sources including the IRS, the Code of Federal Regulations and the Massachusetts Society of CPAs’ *Record Retention Guide*. However, these time frames are offered as guides and we highly advocate that you review your industries’ regulations and your specific company needs with your accountant. There may be several situations, for historical or reference purposes, for example, that necessitate longer periods than legally required.

Before we provide you with these time frames, below are a few important criteria to keep in mind related to the nature of the substantiation required for various business expenses.

- Travel expenses should include the cost of each separate expense for travel, lodging and meals. Incidental expenses may be totaled in categories such as taxis, daily meals, etc. Track the dates you left and returned for each trip and the number of days spent on business as well as the destination or area of your travel (name of city, town, or other designation). Ensure you detail the business purpose for the expense or the business benefit gained or anticipated.
- Automobile expenses should include the cost of each separate expense. For company-owned cars, you will need the cost of the car, the date you started using it for business purposes and costs incurred for repairs, maintenance, fuel, insurance and other direct expenses during the year. Whether you have company-owned cars, leased vehicles or an accountable plan for business mileage reimbursement, you will need to maintain a mileage log that lists the dates, distance, business destination and business purpose of all business miles.
- Entertainment expenses should include the cost of each separate expense. Incidental expense such as taxis, telephones, etc., may be totaled on a daily basis. Track the date, name and address of the location as well as the type of entertainment, if not obvious, and business purpose. For entertainment, note the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion, include the date, place, nature, and duration of the business discussion and the people who took part in both the

business discussion and the entertainment activity. You should also include the occupations or other information (such as names or titles) about the recipients that reflects their business relationship to you. For business meals, you must also prove that you or your employee was present to benefit from the deduction.

Below are suggested retention guidelines (in years) for the business documents that our clients are most commonly interested in:

<b>Business Documents</b>	<b>Guidelines (years)</b>
1. Accounts Payable and Accounts Receivable Ledgers	7
2. Customer invoices	7
3. Bank Reconciliations and Statements	7
4. Bank Deposit Slips	3
5. Canceled Checks	10
6. Payroll Registers	4
7. Trial Balances and General Ledger Reports	Permanent
8. W-2 Forms	Permanent
9. Income Tax Returns	Permanent
10. Payroll and Sales Tax Returns	Permanent

We hope that you have found this information to be valuable for your business. If you have any questions, please don't hesitate to contact any of the experts at Waldron Rand.

#### **About the Author, Sharon Shaff**

Sharon has served as a trusted advisor to the Firm's clients on a variety of tax and accounting issues for more than a decade. She has extensive expertise in the area of taxation, including international taxation and tax planning and compliance for both individuals and privately held companies. In addition, Sharon manages the Firm's tax and assurance services for condominiums, supporting over 50 residential condominium associations throughout New England.

Prior to joining the Firm, Sharon served in the private client services department at Arthur Andersen, LLP, working with high-net-worth individuals on family wealth planning and income tax compliance, with a focus on stock option analysis.

Sharon is an active member of KS International (KSI), an association of top international accounting practices focused on serving clients with international taxation and business needs. She is also involved with various international taxation committees of the Massachusetts Society of Certified Public Accountants (MSCPA) and American Institute of Certified Public Accountants (AICPA). Sharon has been invited to speak at several Community Associations Institute of New England (CAINE) conferences and roundtables and has been published in CAINE's *Condo Media Magazine*. Sharon graduated Summa Cum Laude from Tufts University and earned her Master of Science degree in Taxation with high distinction at Bentley College's McCallum Graduate School of Business.

#### **About Waldron H. Rand & Company, P.C.**

Waldron Rand, located in Needham, MA, provides unmatched accounting, auditing, tax, and

consulting services to individuals and privately held businesses in a wide range of industries throughout the U.S. and globally.

At Waldron Rand, our business, tax and assurance experts are more than scorekeepers. We take a holistic approach to working with clients. For more than 100 years, we have been providing partner-level service to help our clients manage challenges and seize business opportunities. For more information or to personally speak with a partner, please call 781.449.5825 or email us at: [advice@waldronrand.com](mailto:advice@waldronrand.com).

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