RECORD RETENTION

Document	How Long to Keep (Minimum)
Articles of Incorporation, amendments, bylaws	permanently
Certificate of incorporation and corporate records to the state	permanently
Tax returns	permanently
Work sheets and related backup documents for tax returns	7 years
Minutes	permanently
Annual corporate reports	permanently
Property records	permanently
Contracts and leases in effect	permanently
Insurance policies (including expired policies)	permanently
Insurance letters/correspondence	permanently
Audit reports of CPAs and financial statements	permanently
Employment applications (for current employees)	permanently
Bank statements and reconciliations	7 years
Canceled checks for standard transactions	7 years
Invoices from vendors	7 years
W-2 or 1099 forms	7 years
Housing allowance forms	7 years
Business correspondence	3 years
Employee personnel records (after termination)	3 years

Some of the suggested retention periods are for legal reasons, while others are based on practical considerations. You may want to keep some records longer than the table suggests.

1. It is an excellent idea for your organization to discuss and adopt a record retention policy. The above table gives you some suggestions on items to be included in the policy and time periods to be used.

2. When developing a record retention policy, it is important to think about where those files will be kept, how secure those files will be, and the conditions under which files will need to be stored (heat and particularly dampness can be very destructive to files).

3. Some of the reasons to keep files and records include legal requirements, potential relevance in future litigation, and the needs of the organization, as well as historic importance. It goes without saying that should there be threatened litigation or an investigation on a certain subject matter, particular care should be given that no file or document relating to that matter be destroyed.

4. Tax returns and governmental reports affecting tax liability should be kept permanently. However, most backup records, such as receipts documenting income deductions need only be kept for seven years. The Internal Revenue Service calls for a six-year statute of limitations. The IRS has three years from the date of when the income tax return is filed to question or audit it. If the IRS can prove an omission of at least 25% of income, the time period doubles to six years. Therefore, the seven-year period gives a one-year cushion beyond that time limit. While most churches are not required to file tax returns, these periods apply to any entity that must file, as well as individual filers.

5. *Of particular importance is the retention of insurance policies and related documents. From time to time, lawsuits are brought which reach back many years. Therefore, it is important to determine the policy in effect at the time that a claim arose. Should those policies be missing, they can often be recreated by contacting your broker or insurance company to establish coverage.*