



Record Retention Requirements Records you should keep – and for how long

There are two federal agencies (the Internal Revenue Service or IRS and the U.S. Department of Labor or DOL) that determine the retention guidelines and each has their own separate rules as to the type of records that must be kept and the length of time for each.

Keeping current and accurate records is vital to any business. Without proper records, you will be unable to meet regulatory requirements should you be audited. Failing to meet these requirements can mean having to pay large penalties.

The following is a list of records and retention periods established by the Federal law.

Financial Documents:

Bank reconciliations -- 1 year

Bank statements -- 7 years

Capital stock & bond records -- Indefinitely

Financial statements (end-of-year, other months optional) -- Indefinitely

Payroll Documents:

Basic payroll information -- 3 years after record is made

Payroll records and summaries, pensions, payroll taxes -- 7 years

Supplementary payroll data -- 2 years after record is made

Rates of pay -- 1 year after record is made

Time books/cards (for exempt & non-exempt employees) -- 7 years

Time cards/sheets -- 3 years after record is made

Tips reported by employees -- 4 years from the later of tax due date or payment date

Total wages paid to each employee -- 4 years from later of tax due date or payment date

Vouchers for payments to vendors, employees (including allowances and reimbursement of employees, officers, for travel and entertainment expenses) -- 7 years

W-2 and W-4 forms -- 4 years

The following summarizes additional recordkeeping retention requirements, indicating the longest retention period established by Federal law.

According to the Fair Labor Standards Act (FLSA): Records that contain name, address, social security number, date of hire, and date of termination, collective bargaining agreements, individual contracts, written FLSA agreements, sales and

purchase records, certificates and notices should be retained for three years from the termination date of employment. Certain supplemental records, including time cards, need only be kept for two years from termination or three years from the making of the record.

Family and Medical Leave Act (FMLA) states that medical certifications and related medical information; type of leave taken; dates or hours of leave taken; name, position, and pay rate of person on leave; copies of all notices given to or received from employee; documents describing employee benefits and status; records of any dispute between employer and employee should be three years from the date the leave ended.

Equal Pay Act of 1963 (EPA) states that any record which relates to the payment of wages, wage rates, job evaluations, job descriptions, merit systems, seniority systems, collective bargaining agreements, description of practices or other matter which describe or which explain the basis for payment of any wage differential to employees of the opposite sex in the same establishment must be retained for a minimum of two years.

Age Discrimination in Employment Act of 1967 (ADEA) and Americans with Disabilities Act (ADA): Applications, job advertisements, documents relating to hiring, firing, transfer, demotions, promotions, layoffs, payroll records, job descriptions, employment handbooks, training programs, employee evaluations, requests for reasonable accommodation should be retained for one year from the date the decision was made not to hire the individual, one year from the date of personnel action or date record is made (whichever is later), and one year from date of involuntary termination.

Immigration Reform and Control Act requires that you must retain copies of the I-9 Form for three years after the date of hire.

Important Tips:

Invest in a scanner. You can easily scan your backup information to reduce the amount of paper files in your office.

Invest in a shredder or shredding service to ensure the sensitive documents you can eliminate are properly disposed of.

About The Payroll Factory:

The Payroll Factory has been providing payroll services for over 20 years. We are a locally owned and professionally managed service company. We provide excellent service to hundreds of companies with locations and employees throughout the United States. Currently, the company transmits hundreds of millions of dollars to the tax authorities electronically and produces tens of thousands of W-2's each year.

As one of the leading providers of outsourced payroll solutions, we are constantly working to keep our systems and services on the leading edge and developing better ways to

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satisfy the payroll needs of the business community. Some of these advancements include biometric hand recognition, employee debit cards, and web payroll entry. Allen Noll, CPA took over The Payroll Factory as President in 2002 and has the company poised to be the largest individually owned payroll processing company in the Mid-Atlantic Region.