

RECORDKEEPING

BUSINESS ADVISORY ACTIONABLE PRINCIPLES

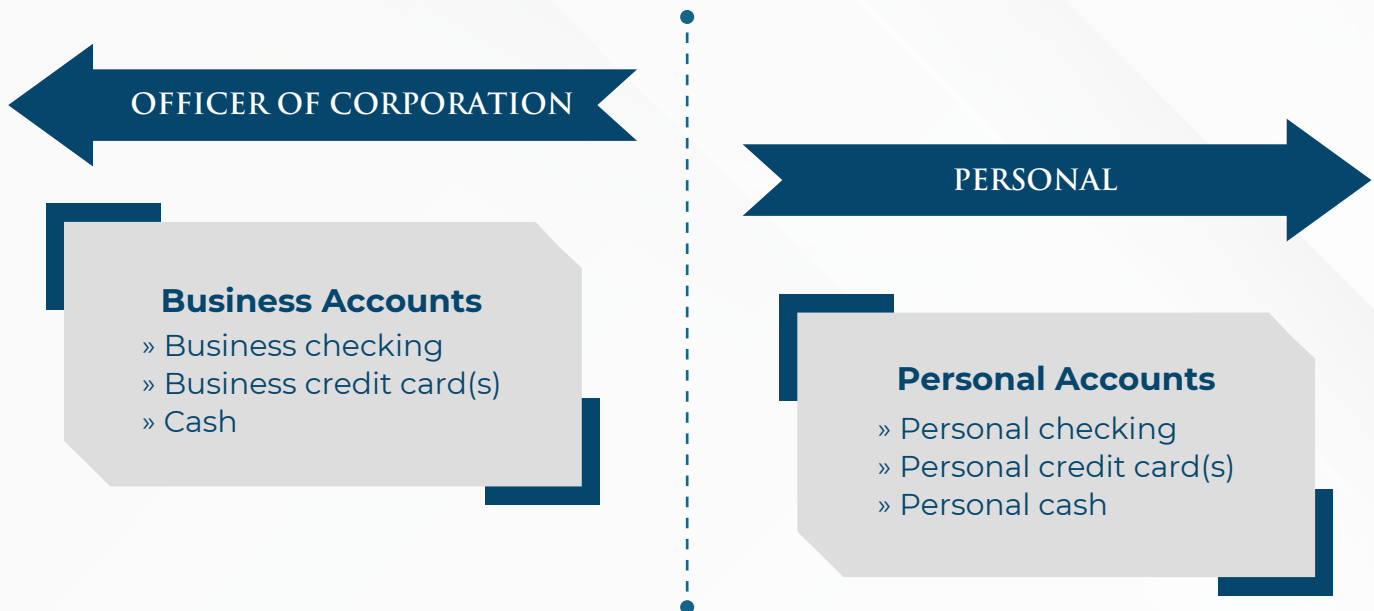


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WHAT DO I NEED TO KEEP?

Keep all business records and receipts



RECORD RETENTION

Here is what you will need to keep

Banks and institutions

- » Bank statements and copies of cancelled checks
- » Credit card statements
- » Retirement account statements

Invoices and bills

- » Accounts payable - bills you pay
- » Sales invoices for customers or income

Emails and text messages

Receipts

- » All receipts for business purchases
- » Debit/Credit card statements are not evidence enough

Cash receipts

- » A receipt for a cash purchase is your only proof
- » A Contemporaneous Record: A note at the time an event happens is better than nothing at all



CALENDAR

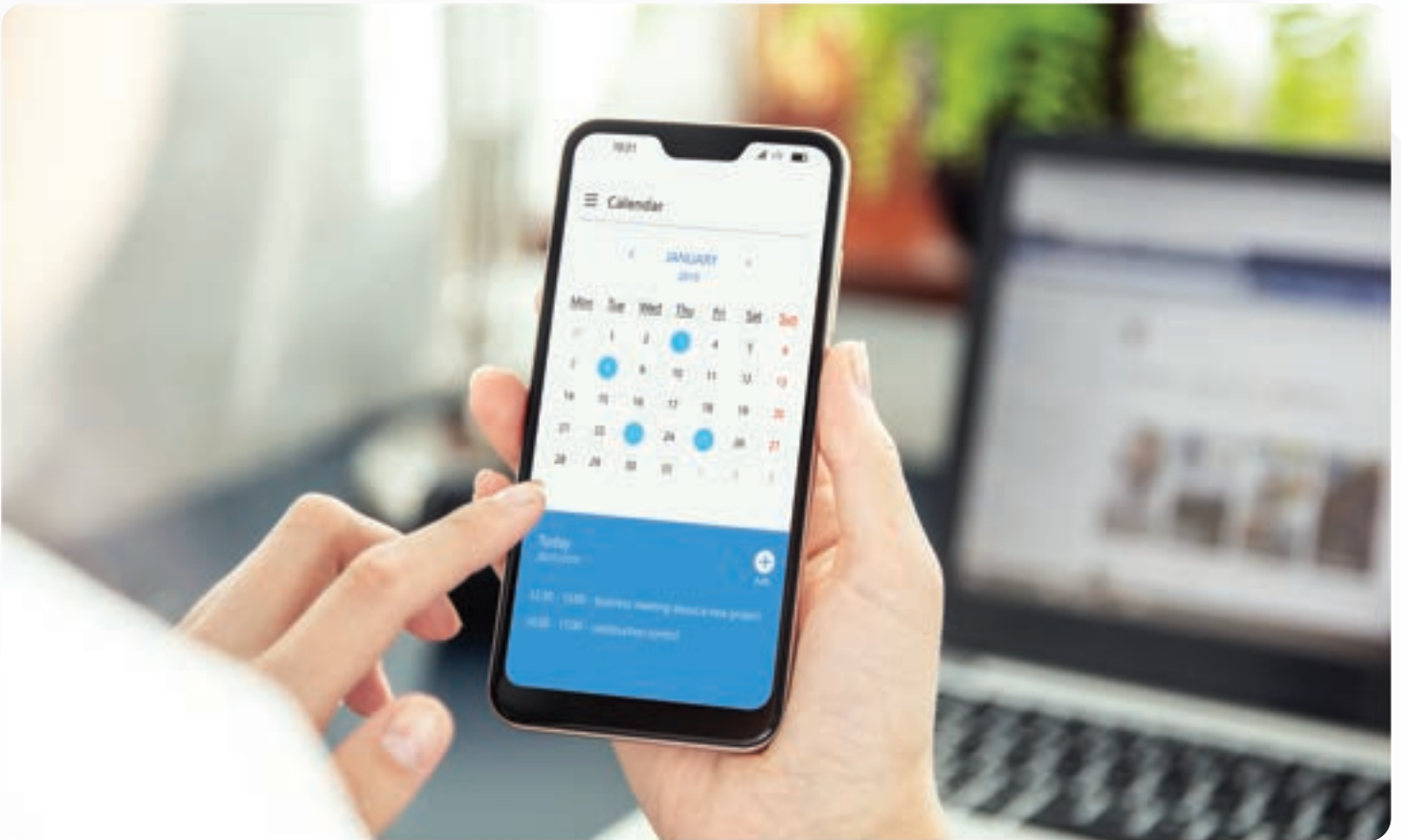
Good for documenting many items

- » Cash expenses.
- » Contemporaneous records.
- » A note taken at the time of the event
- » Good evidence in audit if no receipt is present.

Meals and meetings

- » Where you were and who was present.

In general - a good record of your business spending framework



DOWNLOAD NOTICE: Do not rely on your bank to be your recordkeeper-download at least once per year

Paper records or electronic records are sufficient





RECORD RETENTION

Business documents - Keep 7 years

- » Business supporting tax preparation documents
- » Business bank/credit card statements
- » Business retirement account statements
- » Possibly longer if you have employees

Seven years or until you feel parties of the transaction(s) agree

- » Bank statements and reconciliations
- » Insurance records from current policies
- » Investment trade statements
- » Annual statements
- » Medical bills
- » Supporting documents for the tax return
- » Accident reports and claims
- » Accounts payable and receivable ledgers, schedules, and support (invoices)
- » Cancelled checks, stock and bond certificates
- » Employment tax records

Forever

- | | |
|----------------------------------|---|
| » Audit and legal reports | » Corporation documents |
| » Income tax returns | » Deed |
| » Retirement and pension records | » Property improvement receipts and records |
| » Chart of Accounts | » Financial statements |
| » Major contracts | |

One year or until you feel that all parties of the transaction(s) agree

- » Customer and vendor correspondence
- » Open purchase orders
- » Monthly and quarterly statements once year-end statements arrive

Special circumstances

- » Car records - when a car is sold
- » Invoice receipts - until verified on the statement
- » Insurance policies - kept for the life of the policy
- » Mortgages, deeds, and leases - 6 years
- » Other bills - until payment is verified on the next bill
- » Sales receipts - until warranty period has expired





RECORD RETENTION FAQs

» How long do I need to keep my records?

Best Practice: Keep about 7 years of documents

Why is this?

- IRS can go back 3 years from the date a return is filed
- 25% understatement of income can be 6 years back

» What about tax returns?

Best Practice: Keep indefinitely

» Can I keep only electronic statements, not paper?

Yes - Paper or Electronic is fine

» Do I still need to keep receipts if I have everything listed on one credit card statement?

Yes – a bank/credit card statement is not evidence enough. We do not need all your records for tax return preparation purposes. We assume you have substantiation for any expense you provide for your taxes. You may need to provide the receipt. The IRS or State will most likely need all your receipts and records in the case of audit

