**Vlll. Retention Guidelines**

**U. S. Government Retention Requirements**

The following retention requirements refer to those issued under the Internal Revenue Code of 1954 and the United States Code of Federal Regulation (CFR)

1 - Income Tax – General

Any person or entity subject to, or required to file a return of information with respect to income shall keep such permanent books of account of records, including inventories, as are sufficient to establish the amount of gross income deductions, credits, or other matters required to be shown by such person in any return of such tax or information.

2 - Income Tax – Exempt Organizations

In addition to the books and records required by the “Income Tax – General” paragraph with respect to the tax imposed on unrelated business income, every organization exempt from tax under section 501 (c) of the Code, which includes sections 501 (c) (5) and 501 (c) (6), shall keep such permanent books of account or records as are sufficient to show specifically the items of gross income, receipts, and disbursement, and other required information.

3 - Tax – Exempt Organizations – General

The general “materiality” rule applies to keeping records and books of account pertaining to information including items of gross income, receipt, disbursements, and contributions and gifts received, and to keeping other pertinent information which will enable the district director to inquire into the organization’s exempt status. An organization claiming an exemption from the filing of an information return must maintain adequate records to substantiate such claim

The Internal Revenue, in fear that they might forget something, has imposed a general requirement that has become known as the “Materiality Rule” to cover everything that is not assigned a specific retention period. The general requirement is that records must be kept “so long as the contents thereof may become material in the administration of an internal revenue law.

Some books and records of business may be “material” for tax purposes so long as the business remains in existence, and there may be reasons other than the federal tax consequences to the individual taxpayer for retaining certain records for an indefinite period.

To be more precise, we can separate records into two categories as follows:

1. Records of property from which a basis must be determined to compute gain or loss upon disposition (and depreciation, amortization, or depletion is made). Thus, if property is given a substitute basis, i.e., the basis it had in the hands of the prior owner adjusted as required by the Code or regulations, all records pertaining to that property must be retained. After a taxable disposition, the specific and/or general record retention rules as listed elsewhere will apply.
2. Records of income, deductions, and credits (including gains and losses) appearing on a return should be kept, at a minimum, until the statue of limitations for the return expires (three (3) years after return was filed for IRS assessment).

**There is a six (6) year period of limitations for assessment if there has been a substantial omission of income.**

The period of limitations may be extended by mutual agreement for any length of time, and no statutory period applies if fraud is established or if no return was filed.

It should be pointed out the failure to retain records for a sufficient length of time could result in the assessment of additional tax because of determining gain or loss on the disposition of property. Common sense and realism should prevail when defining the retention periods.

**Sample Document Retention Policy**

The Document Retention Policy sets forth the rules that are to be followed by officers, employees, and other representatives of the Association with regard to the retention and disposal of documents that are produced or received by the Association in the course of its operations. The existence of the Policy serves several important purposes. The premature or random destruction of certain documents may result in the loss of information that is necessary for the effective maintenance and operation of the Association, or may run afoul of legal requirements. At the same time, the retention of documents that no longer serve an operational or legal purpose can cause logistical and other problems. The Policy has been adopted in order to deal with these and other related concerns.

As used in this Policy, the following terms have the meanings indicated:

A. The term “documents” means materials kept in any medium by which information can be recorded or presented;

B. The term “hard-copy documents” means paper or other hard-copy documents;

C. The term “electronic documents” means documents other than hard-copy documents, including computer files of any kind, such as e-mail, website, and internet communications;

D. The term “non-essential documents” means documents that are not essential on a continuing and long-range basis to the maintenance or operations of the Association, do not have historical value for the Association, and are not subject to a legal retention requirement;

E. The term “institutional documents” means documents that are necessary on a continuing and long-range basis for the maintenance or operation of the Association, and documents that have historical value for the Association;

F. The term “legal documents” means contracts, leases, and other documents that create legal rights and obligations, documents that at a particular point in time are subject to a legal retention requirement because they deal with an event or topic that is relevant to litigation or a government investigation, and documents that are subject to a statutory or regulatory retention requirement;

Unless otherwise indicated, documents shall be retained for the following periods.  
  
Non-Essential Documents shall not be retained for more than three (3) years after their production or receipt. This three (3) year limitation shall apply to both hard-copy Non-Essential Documents (including individual “chronological files”), and electronic Non-Essential Documents.

Institutional documents (both hard-copy and electronic) shall be retained permanently. Examples are: Membership Lists, certain Financial Records, Records of certain Governance Meetings, Constitution and Bylaws.

The following retention periods shall apply to the documents indicated:

a. Leases, Contracts, Retainer Six (6) years after   
 Agreements, and other Documents termination of the transaction  
 that Create Legal Rights and in question.  
 obligations

b.Documents Relating to the One (1) year

Election of Officers

c. Financial Documents

-- LM-2 Reports and supporting records Seven (7) Years

-- Membership enrollment & renewal forms Seven (7) Years

-- To calculate and collect agency fees Seven (7) Years

-- To support Political Action Committee Four (4) Years

-- Lobbying Disclosure Act Reports and Six (6) Years  
 supporting records

-- Tax Filings and Returns Permanently

-- Records supporting general tax filings Seven (7) Years  
 and returns

-- Employment tax filings Four (4) Years  
 (after tax due date)

-- Property records Permanently

d. Job Recruitment and Hiring Documents

-- Job Announcements, and Internal One (1) Year

Job Postings

-- Hiring Criteria Used to Select Among One (1) Year

Candidates (for unsuccessful applicants)

Three (3) Years After   
 Termination (for successful   
 applicants)

-- Tests and Other Similar Selection Two (2) Years  
 Criteria (longer if adverse impact   
 identified)

-- Employment Applications, Resumes, One (1) Year

Reference Letters, and Other (for unsuccessful applicants)

Documents Received from Job Three (3) Years After

Applicants Termination (for successful  
 applicants)

-- Background Investigation Reports Two (2) Years

(after applicant/employee is

given notice of report)

-- Pre-Hire Medical Examinations One (1) Year

-- Offer and Hiring Records, Six (6) Years After

Employment Contracts Termination

-- Immigration and Tax Forms Three (3) Years

Upon Hiring

e. Employment Documents

-- EEO-1 Reports Three (3) Years

-- Vets-100 Forms Two (2) Years

-- Affirmative Action Plans Two (2) Years (longer if   
 adverse impact identified)

-- Wage and Hour Records Three (3) Years

-- Family and Medical Leave Act Records Three (3) Years

-- Individual Employment Records Three (3) Years After   
 Termination

-- General Employment Records Three (3) Years

-- General Employee Benefit Plans Six (6) Years (after filing)

-- Retirement Plans Permanently

-- Group Health Plans Two (2) Years under HIPPA

(after loss of coverage)

Six (6) Years under COBRA

(after loss of coverage)

-- OSHA Records Five (5) Years