

Retention of Corporate Records

Compiled by Jack A. Jeffries
Association of Legal Administrators' (ALA) Legal Counsel
Lord Bissell & Brook
Chicago, Illinois
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Confusion exists concerning the time period that corporate documents should be retained. The goal is to retain only those documents which are required by law or for business and to dispose of the rest.

In the event of litigation, a negative inference can arise from apparent random destruction of documents. However, if documents are destroyed in accordance with a reasonable corporate policy, it is unlikely that an implication can be drawn that documents were improperly destroyed.

There are a vast number of statutory requirements for the retention of documents. Virtually all states have retention requirements for documents relating to open accounts, torts, general records, securities documents, unemployment insurance, workers' compensation and taxes. There are federal requirements on the same matters.

The following is a general suggestion for the retention of documents.

Correspondence and interoffice memos requiring no further action — at least 30 days.

Expense, credit documents related to collections — at least one year.

Company policy and offers to contract which are not accepted — at least one year.

Documents pertaining to patents, copyrights, licenses, agreements, permits and potential liability — at least one year after matter to which it pertains is concluded.

Consumer credit reports — two years.

Assignments, attachments and garnishments — two years.

Employee deductions, authorizations — two years.

Payroll records — three years.

Payments and reports to government (including tax, withholding and FICA) — four years.

Retail sales promotion materials — one year.

Sales and price agreements records — four years.

Cancelled stock certificates — six years.

Reorganization records — permanent.

Liquidation of subsidiaries — permanent.

Securities transactions — three years.

Government contracts — three years.

Air pollutant emissions — two years.

Shipping of hazardous substances — two years.

Copyrights — three years.

Patents — six years.

Collective bargaining agreements and employment contracts — three years.

Terms of employment and earnings — two years.

Promotions, discharges — three years.

Tax returns and schedules — six years.

Records sufficient to audit — two years.

Most states give clear statutory direction on the retention of documents relating to a number of areas. For example, Illinois statutes suggest retention of records relating to records of open accounts for five years; torts for 12 years; written contracts for 10 years; general records and books for five years; securities and sales records for three years; unemployment insurance for five years; business income tax for five years; and sales and use taxes for seven years.

It is difficult to be assured that your records retention policy meets all federal and state statutory requirements. Accordingly, the information provided here is selective and not intended to cover all requirements which may be applicable to a particular corporation.

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