



## Dealerships' Guide to RECORDS RETENTION

Knowing how long to keep copies of certain records can be a tough call. Dixon Hughes' Dealer Services Group can help dealerships understand the rules, regulations and requirements related to records retention.

### Computer Files Necessary for Most IRS Examinations

#### Types of Files

Although not all-inclusive, the following list indicates files most used by an IRS Computer Audit Specialist:

- Files are in a sequential/fixed-length, or delimited, or print file, record format—ASCII.
- Documentation would include the file layouts outlining:
  - Field names and description
  - Data formats (character, text, numeric, packed decimal, etc.)
  - Length of each field
  - Total record length
  - Each file retained on magnetic media should have a label that contains file name, record length and number of records

#### General Ledger Master File

Contains the complete general ledger account number, account name description and prior 12-month debit or credit ending GL balances.

#### General Ledger Transaction File

- Contains the complete 12-month (including post-closing entries) detail journal voucher transactions.
- Fields possibly contained in this file would be:
  - General ledger account number
  - Corp. number
  - Plant number
  - Journal reference number
  - General ledger account name description
  - Transaction/posted date(s) in a MM/DD/YYYY format (Y2K compliant date fields)
  - JV number, JV description, posted JV debit/credit amounts
- There must be enough information contained in this file for IRS examiners to request specific JV source documents.

- This file may also contain detail accounts payable entries. If so, a vendor number, vendor name and invoice number should be included.

#### Accounts Payable Distribution File

- Contains the complete 12-month booked detail postings of accounts payable transactions. Data formats same as GL or other files.
- Fields contained in this file would be:
  - General ledger account number
  - Plant number and corp. number
  - Transaction/posted date(s) in Y2K compliant format
  - Invoice number
  - Vendor number and name
  - Transaction amount
- There must be enough information contained in this file to pull invoice source documents.

#### Vendor Master File

Contains the vendor number, vendor name and vendor full address.

#### LIFO/Inventory Files

In general, the records should contain inventory-costing information necessary to calculate the LIFO index.

#### Miscellaneous

Files that may be necessary to administer other IRS provisions including:

- W-2 and 1099 files
- Fixed asset files
- Excise tax files
- Corp. tax or fast tax files
- Any other records pertinent to the examination



*Dixon Hughes' Dealer Services Group can help dealerships understand the rules, regulations and requirements related to records retention.*

# GENERAL GUIDELINES

Call us at 1.877.DLR.CPAS to talk about implementing a solid records retention program at your dealership.

*Note that this is a guide and that various regulations and statutory requirements, as well as the specific needs of your dealership, should be considered before implementing a records retention program.*

## Accounting Records

Audit records .....	Permanently
Accounts receivable or payable ledger .....	8 years
Bank statements and reconciliations .....	5 years
Canceled checks—payroll and general .....	5 years
Canceled checks—for purchase of assets .....	Should be filed with asset records and retained until 5 years after disposition of asset
Capital stock book .....	Permanently
Cash disbursement journal .....	8 years
Cash received journal .....	8 years
Expense reports .....	6 years
Expense ledger .....	8 years
Financial statements (retain permanently with no audit reports) .....	8 years
General ledger and journal .....	Permanently
Interdepartmental sales journal .....	8 years
Inventory records—annual only .....	8 years
New car sales journal .....	8 years
Notes receivable ledger .....	8 years
Parts, accessories and service sales journal .....	8 years
Payroll earnings records .....	5 years
Payroll journal .....	5 years
Payroll time cards .....	3 years
Petty cash vouchers .....	3 years
Petty cash summary envelope .....	3 years
Prepaid and accrued expenses journal .....	3 years
Subsidiary ledger .....	8 years
Trial balances .....	8 years
Vouchers—vendors, employees .....	8 years

## Corporate Records

Articles, bylaws, minutes, other corporate records .....	Permanently
--	-------------

## Correspondence

General .....	10 years
Legal and tax .....	Permanently

## Operations Records

Accident reports .....	6 years
Bills of lading .....	10 years
Buyers' Guide—used car label .....	No requirement*
Car invoices* .....	6 years
Car purchase orders* .....	10 years
Credit applications—denied* .....	25 months**
Credit applications—approved* .....	25 months**
Customer files* .....	10 years
Employment applications, terminated and not hired .....	3 years
Employment applications, hired .....	3 years past termination
Insurance policies, expired .....	4 years
Internal repair orders* .....	3 years
Odometer statements* .....	5 years
OSHA records .....	6 years
Personnel files, closed .....	6 years after termination
Purchase orders .....	6 years
Repair estimates .....	9 months
Repair orders .....	2 years
Retail installment contract, assigned* .....	10 years
Retail installment contract, not assigned* .....	10 years past expiration
Sales invoices .....	6 years
Service contracts/extended warranties* .....	10 years past expiration
Shipping and receiving reports .....	6 years
Underground storage tanks—testing results and DNR correspondence .....	Permanently
Uniform hazardous waste manifests .....	3 years

## Taxes

Form 8300 – \$10,000 cash reporting form .....	7 years
Income tax returns, U.S. and state .....	Permanently
Income tax returns, related work papers .....	7 years
IRS audit results .....	Permanently
Unemployment tax returns, U.S. and state, and related work papers .....	7 years
Withholding tax returns, U.S. and state, and related work papers .....	7 years
Withholding tax statements .....	7 years

*\*These items would ordinarily be in the car deal jacket. Each item has its own retention requirement. However, unless you want to strip the file, keep the car deal for 10 years. Even then, contracts which are performed over time (for example, retail installment contracts—if you are carrying the financing, note those that are assigned) and service contracts should be kept for 10 years after expiration. Note also that the Used Car Buyers' Guide is not technically required to be kept. However, if you don't keep a signed copy, it will be difficult to prove that your customer received one.*

*\*\*FACT Act has a five year statute of limitation for consumers to sue creditors for pulling credit report without permission. It is recommended that dealers retain credit applications for five years to prove they had authorization to pull credit.*