

## What is an Enrolled Agent?

Enrolled Agents (EAs) are federally authorized tax practitioners who have demonstrated technical competence in tax law, and they are the only taxpayer representatives who are licensed by the United States government. Only EAs, attorneys and certified public accountants (CPAs) may represent taxpayers without limitation before the IRS. Unlike attorneys and CPAs (who may or may not choose to specialize in taxes), all EAs specialize in taxation and are required by the federal government to maintain their professional skills with continuing professional education. EAs advise and represent taxpayers who are being examined by the IRS, taxpayers who are unable to pay their tax liabilities, and taxpayers who wish to avoid or recover penalties. EAs prepare tax returns for individuals, partnerships, corporations, estates, trusts and any other entity with tax-reporting requirements.

## The History of Enrolled Agents

The role of the Enrolled Agent in this country's taxation system begins in the late 1800's, and it closely parallels the evolution of our national history. Just after the Civil War, many citizens had problems settling claims with the government for horses and other property confiscated for use in the war effort. After many petitions and much pleading, Congress, in 1884, endowed Enrolled Agents with the power of advocacy to prepare claims against the government and seek equitable justice for the citizenry. For many years, the purpose of the Enrolled Agent was to act in this capacity. In 1913, when legislation enacting a national income tax was passed, the job of the Enrolled Agent was expanded to include claims for monetary relief for citizens whose taxes had become inequitable. As the tax on income, estate, gift and other sources of tax collections became more complex, the role of the Enrolled Agent increased to include the preparation of the many and various tax forms that were required. Additionally, as audits became more prevalent, Enrolled Agents found their role changing once again, this time to that of taxpayer advocacy and negotiating with the IRS on behalf of their clients.

In 1972, EAs united to form a national association to represent the needs and interests of EAs and the rights of the American taxpayer. That association, the National Association of Enrolled Agents, has

an even stronger continuing educational requirement than the federal government. Through NAEA and its state affiliates, the membership has furthered the professionalism of the discipline, and has successfully championed legislative and administrative rules that benefit the tax practitioner and the American taxpayer.

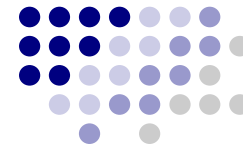
## National Association of Enrolled Agents

**National Association of Enrolled Agents**  
1120 Connecticut Avenue NW, Suite 460  
Washington, DC 20036  
202-822-NAEA (6232); 202-822-6270 fax  
800-424-4339 (EA referral)  
info@naea.org • www.naea.org

***Tax laws are subject to change at any time. Consult your Enrolled Agent for the latest information. Please note: this information is provided to you by NAEA for use as general guidance. The association is not engaged in rendering specific legal, tax or accounting advice. Only a qualified professional with all the facts at his or her disposal can determine the appropriateness of the application of any law to a given tax situation. If assistance is required, an Enrolled Agent should be consulted.***

# Record Retention Requirements

AMERICA'S TAX EXPERT  
**ENROLLED AGENT**  
NATIONAL ASSOCIATION OF ENROLLED AGENTS





# How long do I have to keep Records?

Tax returns can generally be audited for up to three years after filing and up to six years if the IRS suspects under reported income. It is wise to keep tax records at least seven years after a return is filed. Requirements for records kept electronically are the same as for paper records. Generally, follow these recommended periods for various documents.

| Business Accounting Records   | Retention Period     |
|-------------------------------|----------------------|
| Accounts payable              | 7 years              |
| Accounts receivable           | 7 years              |
| Audit reports                 | Permanent            |
| Chart of accounts             | Permanent            |
| Depreciation schedules        | Permanent            |
| Expense records               | 7 years              |
| Financial statements (annual) | Permanent            |
| Fixed asset purchases         | Permanent            |
| General ledger                | Permanent            |
| Inventory records             | 7 years <sup>1</sup> |
| Loan payment schedules        | 7 years              |
| Purchase orders (1 copy)      | 7 years              |
| Sales records                 | 7 years              |
| Tax returns                   | Permanent            |

| Bank Records               | Retention Period     |
|----------------------------|----------------------|
| Bank reconciliations       | 2 Years              |
| Bank statements            | 7 Years              |
| Cancelled checks           | 7 Years <sup>2</sup> |
| Electronic payment records | 7 Years              |

| Corporate Records  | Retention Period                     |
|--------------------|--------------------------------------|
| Board minutes      | Permanent                            |
| Bylaws             | Permanent                            |
| Business licenses  | Permanent                            |
| Contracts — major  | Permanent                            |
| Contracts — minor  | Life of contract + 4 years           |
| Insurance policies | Life of policy+ 3 years <sup>3</sup> |

| Corporate Records   | Retention Period |
|---------------------|------------------|
| Leases/mortgages    | Permanent        |
| Patents/trademarks  | Permanent        |
| Shareholder records | Permanent        |
| Stock registers     | Permanent        |
| Stock transactions  | Permanent        |

| Real Property Records  | Retention Period          |
|------------------------|---------------------------|
| Construction records   | Permanent                 |
| Leasehold improvements | Permanent                 |
| Lease payment records  | Life of Property+ 4 years |
| Real estate purchases  | Permanent                 |

| Employee Records              | Retention Period     |
|-------------------------------|----------------------|
| Benefits plans                | Permanent            |
| Employee files (ex-employees) | 7 years <sup>4</sup> |
| Employee applications         | 3 years              |
| Employment taxes              | 7 years              |
| Payroll records               | 7 years              |
| Pension/profit sharing plans  | Permanent            |

| Individual Records                         | Retention Period |
|--|------------------|
| Tax returns (uncomplicated)                | 7 years          |
| Tax returns (all others)                   | Permanent        |
| W-2s                                       | 7 years          |
| 1099s                                      | 7 years          |
| Cancelled checks supporting tax deductions | 7 years          |
| Bank deposit slips                         | 7 years          |

| Individual Records                             | Retention Period                      |
|--|---------------------------------------|
| Bank statements                                | 7 years                               |
| Charitable contribution documentation          | 7 years                               |
| Credit card statements                         | 7 years                               |
| Receipts & logs pertaining to tax returns      | 7 years                               |
| Investment purchase and sales slip             | Ownership period + 7 years            |
| Dividend reinvestment records                  | Ownership period + 7 years            |
| Year-end brokerage statements                  | Ownership period + 7 years            |
| Mutual fund annual statements                  | Ownership period + 7 years            |
| Investment property purchase documents         | Ownership period + 7 years            |
| Home purchase documents                        | Ownership period + 7 years            |
| Home improvement receipts and cancelled checks | Ownership period + 7 years            |
| Home repair receipts and cancelled checks      | Warranty period for item              |
| Retirement plan annual reports                 | Permanent                             |
| IRA annual reports                             | Permanent                             |
| IRA nondeductible contributions Form 8608      | Permanent                             |
| Insurance policies                             | Life of policy + 3 years <sup>3</sup> |
| Divorce documents                              | Permanent                             |
| Loans  | Term of loan + 7 years                |
| Estate planning documents                      | Permanent                             |

<sup>1</sup> Permanent for last-in-first-out system  
<sup>2</sup> Permanent for real estate purchases  
<sup>3</sup> Check with your agent. Liability for prior years can vary.  
<sup>4</sup> Or statute of limitations for employee lawsuits