



Pavic Consulting LLC

Record Retention Guide

Free Resource from Pavic Consulting – Helping Small Businesses Stay Compliant & Organized

Federal vs. State Requirements Overview

Record retention periods are governed by both federal and state laws, which can overlap or differ. Federal baselines (e.g., from the IRS, DOL, FLSA, EEOC) provide minimum requirements that apply nationwide, but states may impose stricter or varying periods based on local tax, labor, or revenue laws. The 7-year guideline used in this guide is a conservative approach to cover federal requirements and most state variations, offering a safety buffer for audits, disputes, or claims.

Key federal baselines include:

- **Tax Returns and Supporting Docs:** IRS recommends 3-7 years (3 years general, 6 for substantial underreporting, indefinitely for fraud).
- **Payroll Records:** FLSA requires 3 years for basic payroll; IRS requires 4 years for employment taxes.
- **Employee Files:** EEOC requires 1 year post-termination; I-9 forms require 3 years from hire or 1 year post-termination (whichever is longer).
- **Invoices (Sales Tax-Related):** Generally tied to tax records, 3-7 years federally.
- **Contracts:** Varies by statute of limitations, often 3-6 years federally for related claims.

State variations can extend these periods:

- **Payroll Records:** Ranges from 3-6+ years (e.g., California: 4 years; New York: 6 years; Texas/Florida/Illinois: Often 3 years, aligning with federal).
- **Tax Returns and Invoices:** 3-7 years, but state-specific (e.g., California: 4 years for sales/use tax; New York: 3-6 years; Virginia: 3 years).
- **Employee Files:** Many states follow federal (1-3 years), but some extend for labor claims (e.g., California: Up to 4 years for wage claims; New York: Tied to 6-year payroll retention).
- **Contracts:** Follow state statutes of limitations (e.g., New York: 6 years; California: 4 years for written contracts).

Not all differences can be easily incorporated due to the variability across 50 states and potential changes in laws. For precise requirements, check your state's Department of Revenue (for taxes and invoices), Department of Labor/Workforce (for payroll and employee files), or Secretary of State (for corporate records and contracts). If operating in multiple states, comply with the strictest applicable period. Consult legal or tax professionals for your specific situation, as rules may evolve (e.g., recent changes in California for health insurance records extended to 5 years).

For links to the state resources, visit our site [HERE](#).

Let us know how we can help. [CONTACT US](#).

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Record Retention Guide for Businesses

Record Type	Keep For	Why / Legal Reference	Storage Tip
Tax Returns (Federal & State)	7 years	IRS can audit up to 6 years for substantial underreporting; 7 covers all. Federal: 3-7 years; State variations: e.g., CA 4 years, NY up to 6 years, VA 3 years. Check your state's Dept of Revenue for specifics.	Cloud + encrypted backup (e.g., Google Drive + 2 Factor Authorization).
Payroll Records (W-2s, 1099s, timecards, tax deposits)	7 years	IRS + DOL wage claims. Federal: FLSA 3 years, IRS 4 years; State variations: e.g., CA 4 years, NY 6 years, TX/FL/IL 3 years. Check your state's Dept of Labor/Workforce.	Use payroll provider export → auto-archive.
Bank & Credit Card Statements	7 years	Reconcile with tax filings; fraud disputes.	Download monthly → folder: YYYY/MM.
Invoices (A/R & A/P)	7 years	Deduction proof; sales tax audits. Federal: Tied to tax records (3-7 years); State variations: e.g., CA 4 years for sales/use tax, NY 3-6 years. Check your state's Dept of Revenue.	PDF in accounting software.
Contracts & Leases	7 years after expiration	Breach claims (NY: 6-year statute). Federal: Varies; State variations: e.g., CA 4 years for written contracts, NY 6 years. Check your state's Secretary of State or Dept of Revenue.	Scan → name: Client_Contract_YYYYMMDD
Employee Files (offer letters, I-9s, performance)	7 years after termination	EEOC, DOL, I-9 audits (3 years min). Federal: EEOC 1 year post-termination, I-9 3 years/1 year post-termination; State variations: e.g., CA up to 4 years for wage claims, NY tied to 6-year payroll. Check your state's Dept of Labor/Workforce.	Locked HR folder (f.ex., in HR software).
Corporate Records (articles, bylaws, minutes, stock ledger)	Permanently	Proof of ownership; PE/IPO due diligence.	Google Drive "Permanent" folder.
Fixed Asset Records (purchase docs, depreciation)	7 years after disposal	Capital gains; depreciation recapture.	Tag in accounting software.
Insurance Policies	7 years after expiration	Claims disputes.	Archive expired policies annually.

Pro Tip: Use a digital vault (e.g., ShareFile) with version history. Shred physical copies after 7 years.

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Record Retention Guide for Individuals

Record Type	Keep For	Why / Legal Reference	Storage Tip
Tax Returns & Supporting Docs	7 years	IRS audits (3–6 years). Federal: 3–7 years; State variations apply similarly to business tax records—check your state's Dept of Revenue.	Folder: Taxes/YYYY.
W-2s / 1099s	Until you verify SSA earnings	Fix Social Security errors.	Cross-check ssa.gov annually.
Investment Statements	7 years after sale	Capital gains proof.	Brokerage auto-downloads.
Home Purchase/Sale Docs	7 years after sale	Basis for gain exclusion.	Safe deposit box.
Medical Bills & EOBs	3 years	FSA/HSA reimbursement; disputes.	App like Shoeboxed.
Warranties & Receipts	Life of product + 1 year	Returns/repairs.	Photo → Evernote.
Credit Card & Bank Statements	1 year (or 7 if tax-related)	Fraud; deduction proof.	Auto-archive in app.

Pro Tip: Use a password manager for logins to all accounts.

Protect Yourself from Identity Theft

Identity theft remains a serious threat—criminals can use old bank statements, tax forms, or medical bills to open accounts in your name. Secure sensitive records in a password-protected digital folder (e.g., encrypted PDF or cloud vault with two-factor authentication). When it's time to dispose, never toss in the trash—shred physical documents with a cross-cut shredder and permanently delete digital files (use tools like Eraser or macOS Secure Empty Trash). For extra safety, consider a professional shredding service for bulk records.

Disclaimer: The software tools mentioned in this guide are provided solely as examples of commonly used solutions. Pavic Consulting LLC does not endorse, sponsor, or receive compensation from any of these providers. Always evaluate tools based on your specific business needs and consult with a professional before making financial software decisions. This guide provides general information and is not legal advice. Retention periods may vary; consult state agencies and professionals for your circumstances.

Note: Retention periods can vary by state, often based on local tax, labor, or revenue laws. The 7-year guideline here is conservative to cover federal and most state requirements, but check your state's Department of Revenue, Secretary of State, and Department of Labor/Workforce for specifics. Examples: NY requires 6 years for payroll (vs. federal 3–4); CA requires 4 years for state tax records.

For links to the state resources, visit our site [HERE](#).

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