

# Texas Society Sons of The American Revolution (TXSSAR)

## TXSSAR Records Retention and Destruction Policy

### Section 1. Purpose of Records

The Texas Society Sons of The American (TXSSAR) must maintain books and records to show that it complies with tax rules. The organization must be able to document the sources of receipts and expenditures reported on Form 990, *Return of Organization Exempt from Income Tax* or Form 990-EZ, *Short Form Return of Organization Exempt from Income Tax*, and Form 990-T, *Exempt Organization Business Income Tax Return*.

If TXSSAR does not keep required records, it may not be able to show that it qualifies for tax-exempt status. Thus, TXSSAR may lose its tax-exempt status. In addition, TXSSAR may not be able to complete its return accurately and may be subject to penalties. When good recordkeeping systems are in place, TXSSAR can evaluate the success of its programs, monitor its budget, and prepare its financial statements and returns.

### Section 2. Records to be kept

Except in a few cases, the law does not require a special kind of record. TXSSAR should choose any recordkeeping system, suited to its activities, that clearly shows the organization's income and expenses. TXSSAR activities should determine the type of records that should be kept for federal tax purposes. TXSSAR should set up a recordkeeping system using an accounting method that is appropriate for proper

monitoring and reporting of its financial activities for the tax year. Since TXSSAR has more than one program, it should ensure that the records appropriately identify the income and expense items that are attributable to each program.

## **Section 3. Period of Retention**

TXSSAR must keep records for federal tax purposes for as long as they maybe needed to document evidence of compliance with provisions of the Code. TXSSAR must keep records that support an item of income or deduction on a return until the statute of limitations for that return runs. After the statute of limitations has run TXSSAR can no longer amend its return and the IRS can no longer assess additional tax. Generally, the statute of limitations runs three years after the date the return is due or filed, whichever is later. TXSSAR may be required to retain records longer for other legal purposes, including state or local tax purposes.

TXSSAR record retention periods vary depending on the types of records and returns.

**Permanent Records** - Some records should be kept permanently. These include, the application for recognition of tax-exempt status, the determination letter recognizing tax-exempt status, and organizing documents, such as articles of incorporation and by-laws, with amendments, as well as board minutes.

**Employment Tax Records** - TXSSAR must keep employment tax records for at least four years after the date the tax becomes due or is paid, whichever is later.

**Records for Non-Tax Purposes** – When records are no longer needed for tax purposes, TXSSAR should keep them until they are no longer needed for non-tax purposes. For example, a grantor, insurance company, creditor, or state agency may require that records be kept longer than IRS requires.

## Section 4. TXSSAR Policy Retention

The following table provides the minimum requirements for determining TXSSAR document retention policy

| Type of Document  | Minimum Requirement |
|---|---------------------|
| Accounts payable ledgers and schedules                              | 7 years             |
| Audit reports   | Permanently         |
| Bank Reconciliations  | 2 years             |
| Bank statements   | 3 years             |
| Checks (for important payments and purchases)                       | Permanently         |
| Contracts, mortgages, notes and leases (expired)                    | 7 years             |
| Contracts (still in effect)   | Permanently         |
| Correspondence (general)  | 2 years             |
| Correspondence (legal and important matters)                        | Permanently         |
| Correspondence (with customers and vendors)                         | 2 years             |
| Deeds, mortgages, and bills of sale                                 | Permanently         |
| Depreciation Schedules  | Permanently         |
| Duplicated deposit slips  | 2 years             |
| Employment applications   | 3 years             |
| Expenses Analyses/expense distribution schedules                    | 7 years             |
| Year End Financial Statements                                       | Permanently         |
| Insurance Policies (expired)  | 3 years             |
| Insurance records, current accident reports, claims, policies, etc. | Permanently         |
| Internal audit reports  | 3 years             |
| Inventories of product, materials, and supplies                     | 7 years             |
| Invoices (to customers, from vendors)                               | 7 years             |
| Minutes books, bylaws, and charter                                  | Permanently         |

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|--|-------------|
| Patents and related papers             | Permanently |
| Payroll records and summaries          | 7 years     |
| Personnel files (terminated employees) | 7 years     |
| Retirement and pension records         | Permanently |
| Tax returns and worksheets             | Permanently |
| Timesheets                             | 7 years     |
| Trademark registrations and copyrights | Permanently |
| Withholding tax statements             | 7 Years     |

## Section 5. Electronic

TXSSAR Officers should follow the above guidance in Section 1 thru Section 5 in determining the electronic that should be retained and the length to be retained.

## Section 6. Record Destruction

All records (manual and electronic) should be destroyed after the expiration of the retention period unless there is a reason to retain longer.

The destruction of each record should be performed by two members of the Audit Committee and must be documented. Documentation of the records destroyed must include the date destroyed, description of the record destroyed and the name of the person/persons destroying the record.

Destruction of documents will be suspended when TXSSAR is notified of an investigation by a regulatory authority.