

Record Retention Guidelines

We also want to bring to your attention some guidelines for record retention.

The minimum required period for retaining financial records is 3 years, which is the look back period that the IRS and other tax authorities enforce.

Our office recommends a 7 year archiving of relevant tax and accounting support information to make certain that any prior year issue can be resolved with the proper factual financial and employment data.

Note: Department of Revenue audits can go back 4 years, so keep sales and excise tax reporting data for at least that long.

Keep information related to assets as long as you hold the asset, plus for at least 3 years after the asset is sold or scrapped.

The same is true of loans, keep all loan documents until the loan is paid in full, plus at least 3 years after that.

Payroll Records

Each **new employee** must complete an annual form W-4 (lines #1-7) along with their signature, date of hire and date of birth. As the employer, you need to complete lines #8-10 and forward a copy of the W-4 to our office. You must also complete and retain the Form I-9, making sure that all sections are filled out completely. The I.C.E. (Immigration & Customs Enforcement) can fine \$50 per incomplete and or incorrectly completed section, which can add up to \$200 per form.

Please let us know if we can assist you with the DSHS New Hire Reporting requirements.

We'd like to remind you that Washington State law (under RCW 50.12.070 and WAC 192-12-050) requires that the following information needs to be maintained by employers:

- Name (in full) and date of birth of the employee
- Social Security number
- Days and weeks when work was completed
- Dates and hours worked (specific time in and time out)
- Wages paid for each separate pay period
- Location where work was performed
- Date when engaged or re-hired to work
- Date when the individuals name was removed from the payroll
- Cause of separation from work due to discharge, quit, etc.

According to the State of Washington these employee records are to be kept for a period of at least four years, but our office recommends seven years. We also recommend that you maintain an employee policy and procedure manual and that you review the overall content of your employees' files annually for completeness. In addition to maintaining the above employee information, we also recommend that you keep two binders separate from the employee's file. One that holds copies of the W-4's; present employees first with past employees in the back. The second one should hold copies of your I-9s in the same order as your W-4 binder. That way you are able to provide the information to an auditor, if requested, without pulling each employee's personnel file.