

How Long Should You Keep Your Business Records?

As a business owner, the April tax deadline is a distant memory, but the piles of financial and tax records at your company are likely still stacking up. While it's important to keep your business records for as long as they are useful, you may want to establish a retention schedule that takes into account state and federal regulations, as well as industry standards. The guidelines below are intended to be general in nature and do not include all types of records that you may have for your business.

Retain Permanently:

- Audit reports
- Board minutes
- Canceled checks for important payments (i.e. taxes, property purchases, special contracts, etc)
- Deeds, mortgages, bills of sale
- Depreciation schedules
- Financial statements
- Insurance records
- Intellectual property records
- Property records
- Tax returns and worksheets



Retain Temporarily:

- Account ledgers (7-8 years)
- Bank reconciliations (7 years)
- Bank statements (3 years)
- Canceled checks (see "Retain Permanently" section)
- Employment applications (3 years)
- Employee personnel records (7 years)
- Expense reports (7 years)
- Inventory records (7 years)
- Invoices (7 years)
- Payroll records (7 years)
- W-2 forms (7 years)



Before destroying any records, you should consult with a certified public accountant and/or an attorney. Keep in mind, while you may not need to retain records for tax, audit or other legal purposes, some records may hold historical value for your company.

~Dan Warren, CPA, Managing Shareholder

Are Accommodations Taxes Due on Your Summer Rental?

Dusting off your summer rental for busy season? Generally, if you are renting a residence for periods less than 90 days, you are required to collect sales tax and possibly accommodations tax from your tenants. It is important that these taxes are charged correctly and remitted to the proper taxing authority. Taxing authorities will look to the landlord for payment whether the tax was collected from tenants or not.

NORTH CAROLINA

North Carolina state and local sales tax (up to 8.25%) applies to rentals of less than 90 days. If a tenant was charged sales tax initially but the rental period reached 90 days, the tax can be refunded to the tenant (and refunded from the state, if already paid). The sales tax applies to the rental charge as well as most other fees with some exceptions such as Internet access, laundry, telephone service and cancellation fees. Additional fees should be evaluated on a case-by-case basis to determine taxability.

Many localities in North Carolina also charge occupancy taxes (up to 8%), if the rental period does not

reach 90 days. If the occupancy tax is charged initially, but the rental period reaches 90 days, the occupancy tax should be refunded (and refunded from the locality if already remitted). Local occupancy taxes are administered by the local governments so returns must be filed with those jurisdictions.

SOUTH CAROLINA

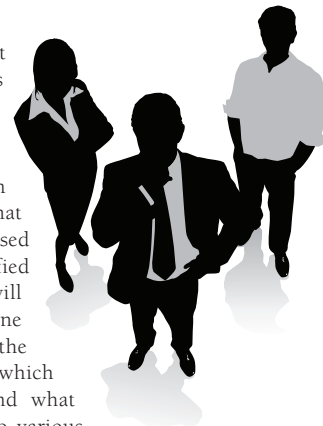
Sales tax also applies to rentals of less than 90 days in South Carolina. If the rental period is ultimately 90 days or more and the tenant has paid sales tax, the sales tax should be refunded (and refunded from the state if already remitted). The state tax rate charged on lodging is 5% as opposed to the general 6% state rate. In addition to the 5%, the state also asserts a 2% occupancy tax rate for a combined state tax rate of 7%. On top of the state tax rate, local sales tax of up to 2% could also apply for a maximum combined local rate of 9%.

The state accommodation and sales taxes and local sales taxes are administered by the state. Local occupancy taxes (generally 3% or less) apply to rentals fewer than 90 days. This tax is administered by the local governments and returns must be filed with the local governments. Therefore, the total rate assessed may reach 12%.

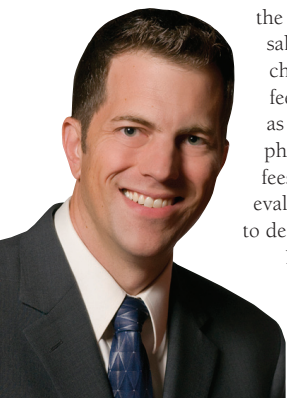
Charges other than rent are taxed at the general sales tax rate and the state occupancy tax does not apply.

AVOID PENALTIES

Failure to remit accommodations taxes on a timely basis may result in high tax and penalty assessments upon audit—all for taxes that could have been passed on to others. A certified public accountant will help you determine correct tax rates, the governments with which you need to file, and what charges are subject to various taxes. If you have been renting property for some time and were unaware of these taxes or are charging them incorrectly, a tax professional can assist you in determining how to best address this situation, too.



Content contributed by the Charlotte office of Elliott Davis, PLLC, an accounting, tax and consulting services firm providing clients the solutions needed to achieve their objectives in 10 offices throughout the Southeast. For more information, contact Dan Warren at 704-808-5210 or visit www.elliottdavis.com.



~Jack Schmoll, CPA, Senior Manager, Elliott Davis, PLLC