



GDG USA Document Retention and Destruction Policy

Establishing and maintaining a policy and procedure on record keeping that covers how long records are kept, how they are secured, who is responsible, and when they are destroyed.

Document Control

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Revision History

Date	Revision Number	Change(s)	Section(s)

1 Purpose

Proper record retention not only ensures compliance with IRS regulations but also safeguards your ability to substantiate income, deductions, and credits if questioned.

2 Understanding IRS Record Retention Periods

2.1 General Rule

The IRS recommends keeping tax records for at least three years from the date you file your return. This standard retention period aligns with the statute of limitations for most audits. This means that, in most cases, the IRS cannot audit you or assess additional taxes after this period has passed.

Extended Periods: Certain situations required to retain records for longer periods:

- **Six Years:** Underreported income by more than 25%, the IRS has up to six years to initiate an audit. This situation might arise if a significant source of income, such as freelance work reported on a [1099 form](#).
- **Indefinitely:** If there is a fraudulent return or a fail to file a return altogether, there is no time limit for an audit. Fraudulent filings and omissions are taken very seriously by the IRS and could lead to severe penalties.

3 Specific Documents and Their Retention Periods

- Income Records:
 - Retain W-2s, 1099s, and other income statements for at least three years. These documents verify reported income and are crucial during an audit.
- Expense Records:
 - Keep receipts, invoices, and proof of deductions for at least three years.
- Property and Investment Records:
 - Maintain records of property purchases, sales, and improvements for as long as you own the property, plus three years after filing the return reporting its sale. For stocks and other investments, keep records of transactions to calculate capital gains or losses.
- Retirement Account Records:
 - GDG USA will retain documents related to contributions and distributions from **IRAs** or other retirement accounts until the account is fully distributed and reported on the tax return. For Roth IRAs, it's important to keep records of contributions, as these may be withdrawn tax-free.

4 State Tax Record Retention Requirements

State tax authorities may have different retention requirements than the IRS. Some states recommend keeping records for up to [seven years](#). If GDG USA moves to a new state, we will retain records from the previous state for the recommended duration to avoid complications if a state audit arises.

5 Best Practices for Record Keeping

Organizing Records:

- GDG USA will categorize documents by year and type (e.g., income, expenses, investments). There are labeled folders or digital directories for easy access.

Digital vs. Physical Copies:

- [Digital copies](#) are valid for IRS purposes as long as they are legible and accurate. GDG USA will use external drives to back up files. Accounting software, APLOS, will keep electronic records for as long as GDG USA is in business.
- For physical copies of documents, they are scanned and kept in electronic folders.

Security Measures:

- GDG USA will protect sensitive documents from identity theft. GDG USA uses 2 different firewalls to prevent hacking and secured software, APLOS, uses two-factor authentication for additional security.

6 Disposing of Old Tax Records

Once records are no longer needed, GDG USA will dispose of them securely to prevent identity theft. We will shred physical documents and use secure software to permanently delete electronic files. Physical documents will be shredded.