

October 28, 1998
L-98-22

TO : John L. Thoresdale
Director of Policy and Systems

FROM: Steven A. Bartholow
Deputy General Counsel

SUBJECT : Taxation of Annuities - Retention of Tax Records

This is in response to your memorandum of September 9, 1998, wherein you inquired as to whether certain tax records, which are required to be maintained pursuant to the Internal Revenue Code and the regulations thereunder, may be maintained in an electronic storage system.

Section 6001 of the Internal Revenue Code provides that any person liable for a tax under the Code or the collection of such a tax shall maintain such records as prescribed by the Secretary of the Treasury. Revenue Procedure 97-22 provides that records maintained in an electronic storage system, which either images hardcopy or transfers computerized records to an electronic storage medium, such as an optical disk, will generally constitute records within the meaning of section 6001. The electronic system must meet the requirements of section 4 of the Revenue Procedure. Thus, the electronic system: 1) must ensure the accurate and complete transfer of the hardcopy or computerized records to the storage medium; 2) must have adequate controls to prevent alteration of the data transferred; 3) must provide an indexing and retrieval system for the data; and 4) must be able to reproduce the data in a readable format.

In conclusion, the tax records which you now maintain in hardcopy may be imaged in accordance with the Revenue Procedure. Legal Opinion L-91-79 (dealing with record keeping) is modified accordingly. Revenue Procedure 97-22 does not alter the time limits for record retention.