

Accounting Books for Attorneys

A Practical Handbook for Law Firm Bookkeeping — Trust Accounting, QuickBooks Online & Xero Setup, and the Monthly Close

Published by TaxWizardUSA — Triumph Business and Tax Solutions LLC. Prepared for the firms served by our Nationwide Attorney Specialist, Marufa Akter. Rules summarized as of October 2026.

This handbook is a bookkeeping reference, not legal advice. Trust-account compliance responsibility rests with the firm and its attorneys. Rules change — confirm your state's current rule with your state bar before acting, and keep the source list at the end of this handbook with your records.

How to use this handbook

- **Part 1** explains how law firm books differ from every other business's books, and the chart of accounts that makes trust accounting work.
 - **Part 2** is a step-by-step QuickBooks Online setup for a law firm.
 - **Part 3** is the same setup in Xero.
 - **Part 4** is the monthly checklist — the routine that keeps both sets of books current and produces the three-way reconciliation every month, whether or not your state expressly requires it.
 - **Part 5** gives every state its own section: IOLTA status, record retention, reconciliation and overdraft rules, and the one requirement bookkeepers most often miss in that state.
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Part 1 — How Law Firm Books Work

Two businesses in one set of books

A law firm keeps **two fundamentally different pools of money**, and the books must never blur them:

- **Operating money** belongs to the firm: fees earned, costs paid, payroll, rent. It lives in the firm's operating bank account.
- **Client money** does not belong to the firm: retainers not yet earned, settlement proceeds, escrow and closing funds. It lives in a **trust account** (an IOLTA account for pooled short-term or nominal funds) and is a **liability** on the firm's balance sheet until it is earned or disbursed for the client.

Every error that gets lawyers disciplined starts with these two pools touching: a retainer deposited to operating, a fee withdrawn before it was earned, one client's money used to cover another's costs. The bookkeeping system in this handbook is built to make those errors structurally hard to make.

The five golden rules

1. **No commingling.** Client money never enters the operating account; firm money never enters trust (beyond the small amount some states allow to cover bank charges, where the rule permits it).
2. **No negative client balances.** A client's ledger can never go below zero. If the money is not in trust for that client, the firm does not disburse it.
3. **Never disburse against uncollected funds.** A deposited check is not collected money. Wait for final credit before disbursing — several states make this an express rule.
4. **Earned means earned.** A fee moves from trust to operating only when it has been earned under the fee agreement and the client has been billed or notified as the rule and the agreement require.
5. **Every client, a ledger.** Each client's trust balance is tracked individually, and the sum of all client ledgers must always equal the trust bank balance. That equality is the three-way reconciliation in Part 4.

Chart of accounts — operating books

- **Bank accounts:** Operating checking; Operating savings (if any); Trust checking (IOLTA) — *the trust bank account is an asset on the balance sheet, offset dollar-for-dollar by the client trust liability below*
- **Income:** Legal fees earned (by practice area if the firm wants the detail); Fee income — flat fees; Reimbursed client costs (income side, if the firm bills costs through income)
- **Expenses:** Payroll and partner draws (keep draws separate from wages); Rent; Malpractice and business insurance; Bar dues and CLE; Legal research and software; Marketing; Office operations
- **Client costs:** *Hard costs* — amounts the firm pays third parties for a specific client (filing fees, experts, court reporters, process servers). Track per client; these are usually advanced from operating (or from trust, if the client's trust funds cover them and the rule allows) and billed to the client. *Soft costs* — in-house items billed to clients (copies, postage, mileage).

Chart of accounts — trust structure

- **Asset:** Trust bank account (IOLTA), one per bank account the firm holds
- **Liability:** Client trust funds payable — with a **sub-ledger for every client (and, where the firm wants matter-level detail, every matter)**. In QuickBooks Online this is run through a trust liability account with client detail; in Xero through a client funds liability account with tracking. Parts 2 and 3 show both builds.
- **Never** post income or expenses directly to the trust bank account. Money moves trust → operating only as an earned-fee transfer, matched on both sides, with the client ledger reduced by the same amount.

Retainers

- **Classic (security) retainer:** paid in advance, held in trust, drawn down as fees are earned. The default — when in doubt, the money goes to trust.
- **Evergreen retainer:** the agreement requires the client to replenish to a set level whenever the balance falls below it. The bookkeeper watches the floor monthly and triggers the replenishment request.
- **Flat fee / general retainer:** may be operating money on receipt *only* where the state's rule and the written fee agreement allow it. Many states still require flat fees to sit in trust until earned by milestone. Read your state's section in Part 5 and the fee agreement before treating any advance as earned.

What the regulators actually examine

Bar auditors and disciplinary counsel look for the same short list: a current three-way reconciliation; complete client ledgers; no negative balances; no overdrafts; disbursements supported by invoices or settlement statements; records retained for the full period your state requires (5 to 7 years — see Part 5). The monthly routine in Part 4 produces exactly that file.

Part 2 — Setting Up QuickBooks Online for a Law Firm

QuickBooks Online (any tier; Plus or Advanced if the firm wants class/matter reporting) holds both the operating books and the trust liability. Work through these steps in order.

Step 1 — Company and accounts

1. Create the company with the firm's legal name, EIN, and entity type (this drives the tax return the books feed).
2. Connect the **operating** bank and credit card feeds. Connect the **trust** bank account as well — but read Step 4 before touching its transactions.
3. Turn on: account numbers (Settings → Chart of accounts), class tracking if used (Plus/Advanced), and "Warn if duplicate check number" if the firm still writes trust checks.

Step 2 — Build the chart of accounts

1. Add the operating accounts from Part 1 (income by practice area if wanted; hard-cost and soft-cost expense accounts; partner draw equity accounts per partner).
2. Add the trust pair: **Trust Bank Account (IOLTA)** — type: Bank; and **Client Trust Liability** — type: Other Current Liability. These two must always move together.
3. Add **Undeposited retainers** only if the firm batches deposits; otherwise deposit retainers directly to the trust bank account.

Step 3 — Clients and matters

1. Enter every client as a **Customer**. For matter-level detail, use sub-customers (Client : Matter) or Classes — pick ONE method and use it everywhere; the client ledger report depends on consistency.
2. Open a client ledger for every client with a trust balance, even a zero-activity one, so the month-end client list is complete.

Step 4 — The retainer workflow (the heart of the system)

1. **Receiving a retainer:** Sales Receipt or Receive Payment coded to **Client Trust Liability** (never to income), deposited to the **Trust Bank Account**, with the client/matter on the transaction. The client's ledger balance rises.
2. **Billing:** Create the invoice for fees and costs in the operating books as usual.
3. **Earning and transferring:** When fees are earned, record the transfer: in trust, reduce Client Trust Liability for that client by the earned amount and move the cash Trust Bank → Operating Bank; in operating, apply the amount against the client's invoice as a payment. The two sides are recorded the same day, for the same amount, naming the same client.
4. **Client-cost disbursements from trust:** Pay the third-party cost from the Trust Bank Account against that client's liability only when the client's balance covers it — check the ledger before

every disbursement.

5. **Refunds of unearned funds:** From the Trust Bank Account against the client's remaining liability; never from operating.

Step 5 — Bank feed discipline for the trust account

- **Never** let the feed auto-add trust transactions to income or expense categories. Every trust feed line is matched to a transaction already entered through Step 4, or entered from the feed with the client named and the liability account coded.
- Turn off bank rules for the trust account entirely. A mis-categorized trust line is how commingling starts.

Step 6 — The reports that prove the books

- **Balance Sheet:** Trust Bank Account balance must equal Client Trust Liability balance, to the penny.
- **Trust Liability Detail / Customer Balance Detail** filtered to the liability account: the client-by-client listing that must tie to both numbers above — this is the third leg of the reconciliation.
- **Profit & Loss** and **Balance Sheet (operating view):** review with the trust pair mentally removed; the operating story should read cleanly on its own.

Part 3 — Setting Up Xero for a Law Firm

Xero keeps excellent operating books and bank reconciliations. It has no built-in client-ledger trust module, so the trust side is built from a liability account plus **Tracking** — set it up exactly as below and it reconciles cleanly every month.

Step 1 — Organisation and accounts

1. Create the organisation with the firm's legal name, EIN, and financial settings (fiscal year, sales-tax/VAT settings off if not applicable).
2. Add both bank accounts in Xero: **Operating** and **Trust (IOLTA)**, and connect bank feeds for both.
3. In the Chart of Accounts add: **Client Trust Funds Held** (Current Liability), the Part 1 income accounts, hard-cost and soft-cost expense accounts, and partner draw accounts.

Step 2 — Tracking categories = clients and matters

1. Create a Tracking Category named **Client / Matter**.
2. Add an option for every client (and matter, where needed). Every trust transaction — receipt, transfer, disbursement — must carry the client tracking option. A trust line without a client tag is an error to fix the same week, not at month-end.

Step 3 — The retainer workflow in Xero

1. **Receiving a retainer:** Receive Money (overpayment or direct receipt) into the **Trust** bank account, coded to **Client Trust Funds Held**, tracked to the client. It is a liability, never revenue.
2. **Billing:** Raise the sales invoice for fees and costs in the operating books.
3. **Earning and transferring:** Create a bank transfer Trust → Operating for the earned amount on the day it is earned; in trust, the transfer is coded against **Client Trust Funds Held** with the client tracking; in operating, allocate it as payment on the client's invoice.
4. **Disbursements and refunds:** Spend Money from the Trust account against **Client Trust Funds Held**, tracked to the client, only against that client's collected balance.

Step 4 — Reconciling trust in Xero

- Reconcile the trust bank account to the statement every month (Xero's bank reconciliation).
- Run the **Account Transactions** report on Client Trust Funds Held grouped by tracking category: the per-client balances are your client ledgers; their total must equal the liability account balance, which must equal the reconciled trust bank balance. Export and file this trio monthly — it is your three-way reconciliation evidence in Xero.
- Firms that outgrow this pattern usually move trust ledgers to a dedicated tool (for example TrustBooks or a practice-management system's trust module) while keeping Xero or QuickBooks for the operating books — the monthly tie-out in Part 4 still applies between the systems.

Part 4 — The Monthly Checklist

Run this cycle every month, in order. It produces audit-ready books and the three-way reconciliation even in states whose rule does not expressly demand one — because bar guidance, auditors, and this handbook's standard all expect it monthly.

Every week

- Enter all trust receipts the day they arrive, coded to the client, deposited to trust only
- Check the client ledger before EVERY trust disbursement — the client's collected balance must cover it
- Match trust bank-feed lines to entered transactions; clear any unmatched line within the week
- Transfer earned fees trust → operating the same day they are earned and billed
- Flag evergreen retainers that have fallen below their floor; send replenishment requests

Month-end close (in this order)

- 1. Download or receive statements for every account: operating, trust, credit cards
- 2. Reconcile the **operating** bank and card accounts; clear old outstanding items (investigate anything over 30 days)
- 3. Post all invoices, bills, payroll, and partner draws for the month; accrue what belongs to the month
- 4. Reconcile the **trust** bank account to its statement
- 5. Print the **client ledger listing**: every client's trust balance at month-end
- 6. Run the **three-way reconciliation** (procedure below) and have the responsible attorney review and sign it
- 7. Scan every client ledger for a **negative balance** — any negative is corrected and documented the same day
- 8. List trust balances with **no activity in 90+ days**; confirm the money is still properly held (stale balances are an audit magnet; truly unclaimed funds follow your state's unclaimed-property/IOLTA remittance rules)
- 9. Review hard-cost advances: costs paid for clients but not yet billed; bill or write off per the fee agreement
- 10. Produce the partner pack: P&L, balance sheet, three-way reconciliation, client ledger listing, receivables aging
- 11. File the month's packet (statements, reconciliations, ledgers) where it will be retained for your state's full retention period — Part 5

The three-way reconciliation, step by step

Three numbers must agree exactly:

1. **The trust bank balance** — the statement balance, adjusted for outstanding deposits and disbursements (the reconciled book balance of the trust bank account).
2. **The trust liability balance** — the general-ledger balance of the Client Trust Liability (QuickBooks) or Client Trust Funds Held (Xero) account.
3. **The sum of the client ledgers** — every individual client's balance added together.

If any leg differs, stop and find it before closing: the usual causes are a trust transaction coded to income/expense, a transfer recorded on one side only, a disbursement posted to the wrong client, or a bank fee taken from trust. Document the reconciliation with the date, the three figures, and the reviewer's signature — several states (for example North Carolina) expressly require the lawyer to review, sign, and date it.

Quarterly

- **#9744; North Carolina firms:** the quarterly three-way report (Rule 1.15-3(d)); **Hawaii firms:** the quarterly client-balance listing (Rule 4(c))
- **#9744; Re-age** all trust balances; chase dormant client money to resolution
- **#9744; Confirm** every active client's fee agreement and retainer terms are on file
- **#9744; Review** user access to the accounting system and the trust bank account

Annually — the state calendar (see your state in Part 5)

- **#9744; California:** CTAPP — annual trust-account registration, self-assessment, and certification
- **#9744; Florida:** annual trust accounting certificate, filed 1 June – 15 August; written trust account plan current
- **#9744; South Dakota:** annual trust accounting certificate, 1 December – 31 January, plus the annual per-client balance listing
- **#9744; Alabama:** annual IOLTA certification by 31 October · **Louisiana:** annual trust-account disclosure filing · **New Mexico:** annual certificate listing every trust account + written trust account plan · **North Dakota:** Rule 1.15 certification on licence renewal · **Texas:** notify TAJF within 30 days of opening OR closing any IOLTA account
- **#9744; Wisconsin:** confirm the 30-day printing routine ran all year (register, ledgers, reconciliations) · **Iowa:** trust-account changes reported within 30 days (all year)
- **#9744; Destroy** records that have passed your state's retention period — and nothing younger

Part 5 — State Sections

The national pattern (October 2026)

- **IOLTA is mandatory in 46 states plus DC.** Only Alaska, Kansas, Nebraska, and Wyoming are opt-out; no state in this handbook is voluntary. Virginia converted to mandatory in 2022 and South Dakota in 2017 — older guides listing either as opt-out or voluntary are stale.
- **Retention runs 5 to 7 years:** 5 years in 27 jurisdictions, 6 in 14, 7 in 9. No state requires fewer than 5 or more than 7.
- **An express three-way reconciliation rule is the exception, not the norm:** only 13 jurisdictions write it into the rule — monthly in Arizona, California, Florida, Hawaii, Iowa, Minnesota, New Jersey, New Mexico, Oregon, and South Dakota; at least every 60 days in Massachusetts; quarterly (plus a monthly bank reconciliation) in North Carolina. Everywhere else the rule text retrieved is silent on three-way reconciliation — which is why Part 4 runs it monthly regardless: bar handbooks expect it, and auditors ask for it.
- **Banks must report trust overdrafts in 48 of 51 jurisdictions.** The exceptions are Mississippi, South Dakota, and Texas (the comparative chart behind this is the ABA's October 2019 chart; no later adoption was found for those three in October 2026 — and South Dakota instead treats an NSF trust check as statutory cause for a Disciplinary Board audit).

Caveats a careful firm should know: retention for Maine, West Virginia, and Wyoming rests on the model-rule Rule 1.15 text those states use, and for Rhode Island and Vermont on state-specific guides summarizing the rule — confirm both against the rule text before relying on them in a destruction schedule. New York's Rule 1.15 still has no express reconciliation duty as of October 2026; a NYC Bar proposal dated 14 May 2026 would add a 60-day three-way rule — it is a proposal, not an adopted rule.

The 51 jurisdictions at a glance

State	IOLTA — program	Keep records	Three-way rule	Overdraft notice	Watch for
Alabama	Mandatory — Alabama Law Foundation	6 yrs	Not specified	Yes	Annual IOLTA certification due 31 Oct
Alaska	Opt-out — Alaska Bar Assoc.	5 yrs	Not specified	Yes	Only banks that signed an overdraft agreement
Arizona	Mandatory — AZ Foundation for Legal Services & Ed.	5 yrs	Monthly (Rule 43)	Yes	No overdraft protection on trust, ever
Arkansas	Mandatory — AR Access to Justice Foundation	5 yrs	Not specified	Yes	Client <i>files</i> kept 6 yrs — longer than trust records
California	Mandatory — Legal Services Trust Fund Program	5 yrs after final disbursement	Monthly	Yes	CTAPP: annual registration + self-assessment; CPA reviews
Colorado	Mandatory — COLTAF	7 yrs	Not specified	Yes	Bank must report within 5 banking days
Connecticut	Mandatory — CT Bar Foundation	7 yrs	Not specified	Yes	Random trust audits by the Grievance Committee
Delaware	Mandatory — DE Bar Foundation	5 yrs	Not specified	Yes	Annual Certificate of Compliance

State	IOLTA — program	Keep records	Three-way rule	Overdraft notice	Watch for
District of Columbia	Mandatory — DC Bar Foundation	5 yrs	Not specified	Yes	Account title must read "DC IOLTA Account"
Florida	Mandatory — FFLA (called IOTA)	6 yrs	Monthly (5-1.2)	Yes	Annual certificate 1 Jun–15 Aug; written trust plan
Georgia	Mandatory — GA Bar Foundation	6 yrs	Not specified	Yes	Account must be titled "Attorney Trust Account" (or escrow/fiduciary)
Hawaii	Mandatory — HI Justice Foundation	6 yrs	Monthly + quarterly client list	Yes	Registers/checks bear "client trust account" legend
Idaho	Mandatory — ID Law Foundation	5 yrs	Not specified	Yes	Overdraft triggers a demand + 6 months of statements
Illinois	Mandatory — Lawyers Trust Fund of IL	7 yrs	Reconciliations kept; frequency not specified	Yes	Report trust status to ARDC at annual registration
Indiana	Mandatory — IN Bar Foundation	5 yrs	Not specified	Yes	Overdrafts processed centrally under Rule 23 §30
Iowa	Mandatory — IA Lawyer Trust Account Commission	6 yrs	Monthly "triple"	Yes	Unannounced audits –every 3–4 yrs; no PayPal/Venmo/crypto in trust
Kansas	Opt-out — KS Bar Foundation	5 yrs	Not specified	Yes	Opting out still requires a separate trust account
Kentucky	Mandatory — KY IOLTA Fund	5 yrs	Not specified	Yes	Compliance certified on the annual dues statement
Louisiana	Mandatory — LA Bar Foundation	5 yrs	Not specified	Yes	Annual trust-account disclosure filing — even if you hold no client funds
Maine	Mandatory — ME Justice Foundation	5 yrs †	Not specified	Yes	Certified through annual registration
Maryland	Mandatory — MD Legal Services Corp.	5 yrs	Bank rec required (Rule 19-407)	Yes	Bookkeeping format is its own rule chapter; no cash disbursements
Massachusetts	Mandatory — MA IOLTA Committee	6 yrs	Every 60 days	Yes	No client balance may ever be negative — express rule
Michigan	Mandatory — MI State Bar Foundation	5 yrs	Not specified	Yes	Answer an overdraft inquiry in writing within 21 days
Minnesota	Mandatory — MN IOLTA Program	6 yrs	Monthly	Yes	OLPR will demand 3 months of trust books after an overdraft
Mississippi	Mandatory — MS Bar Foundation	7 yrs	Bar guidance: per statement	No	No bank overdraft reporting — your own controls carry the load
Missouri	Mandatory — MO Lawyer Trust Account Foundation	5 yrs	Not specified	Yes	Annual compliance certification; small flat fees <\$2,000 exception
Montana	Mandatory — MT Justice Foundation	5 yrs	Not specified	Yes	Unclaimed IOLTA funds go to the Foundation on its form
Nebraska	Opt-out — NE Lawyers Trust Account Foundation	5 yrs	Not specified	Yes	Annual IOLTA certification to the Supreme Court
Nevada	Mandatory — NV Bar Foundation	5 yrs	Not specified	Yes	Every entry must show date, amount, source, explanation
New Hampshire	Mandatory — NH Bar Foundation	6 yrs	Not specified	Yes	Annual compliance certificate; random-audit state
New Jersey	Mandatory — IOLTA Fund of the Bar of NJ	7 yrs	Monthly (1:21-6)	Yes	Random Audit Program; no ATM cards, no overdraft protection, NJ-sited accounts
New Mexico	Mandatory — State Bar of NM IOLTA	5 yrs	Monthly (17-204)	Yes	Written trust account plan + annual account listing

State	IOLTA — program	Keep records	Three-way rule	Overdraft notice	Watch for
New York	Mandatory — IOLA Fund of NY	7 yrs	Not specified (proposal pending)	Yes	Only a lawyer may be a trust-account signatory
North Carolina	Mandatory — NC IOLTA (State Bar)	6 yrs	Quarterly + monthly bank rec	Yes	Lawyer must review, sign, and date reconciliations; audits since 1985
North Dakota	Mandatory — ND Bar Foundation	6 yrs	Not specified	Yes	Certify Rule 1.15 compliance every year at licence renewal
Ohio	Mandatory — OH Access to Justice Foundation	7 yrs	Not specified	Yes	Clock runs from termination OR disbursement — whichever is first
Oklahoma	Mandatory — OK Bar Foundation	5 yrs	Not specified	Yes	Bar guidance recommends keeping files 7 yrs anyway
Oregon	Mandatory — OR Law Foundation	5 yrs	Monthly	Yes	Lawyer must ALSO self-report any overdraft in writing; annual IOLTA cert
Pennsylvania	Mandatory — PA IOLTA Board	5 yrs	Not specified	Yes	Overdraft rule sits in the Disciplinary Enforcement rules
Rhode Island	Mandatory — RI Bar Foundation	7 yrs ‡	Not specified	Yes	7-year retention in a model-rule state — extend RI files
South Carolina	Mandatory — SC Bar Foundation	6 yrs	See Rule 417 SCACR	Yes	Recordkeeping has its own rule (417); no disbursing uncollected funds
South Dakota	Mandatory (2017) — SD Bar Foundation	6 yrs	Monthly (statute)	No	NSF trust check = statutory cause for audit; annual certificate 1 Dec–31 Jan
Tennessee	Mandatory — TN Bar Foundation	5 yrs	Guidance: monthly standard	Yes	Board runs trust-account workshops
Texas	Mandatory — TX Access to Justice Foundation	5 yrs	Guidance: monthly	No	Notify TAJF within 30 days of opening/closing; annual cert
Utah	Mandatory — UT Bar Foundation	5 yrs	Not specified	Yes	Discipline sits with the Office of Professional Conduct
Vermont	Mandatory — VT Bar Foundation	6 yrs ‡	Not specified	Yes	Random-audit state; 6-year retention trap
Virginia	Mandatory (2022) — Legal Services Corp. of VA	5 yrs	Not specified	Yes	Pre-2022 "opt-out" guidance is stale — disregard
Washington	Mandatory — Legal Foundation of WA	7 yrs	Not specified	Yes	7-year duty survives sale/dissolution of the practice
West Virginia	Mandatory — WV State Bar	5 yrs †	Not specified	Yes	The Bar itself administers IOLTA
Wisconsin	Mandatory — WisTAF	6 yrs	Reports are a required record	Yes	Print register, ledgers, reconciliation every 30 days
Wyoming	Opt-out — Equal Justice Wyoming Foundation	5 yrs †	Not specified	Yes	Holding a trust account = deemed consent to overdraft reporting

† Maine, West Virginia, Wyoming retention: model-rule text (5 years after termination); the state rule page was not separately retrieved — confirm before use in a destruction schedule. ‡ Rhode Island, Vermont retention: from state-specific guides summarizing the rule.

State notes — where your state changes the routine

California — the most regulated regime in the country. Beyond monthly reconciliation, the Client Trust Account Protection Program (CTAPP, State Bar Rules Title 2, Div. 1.5, effective 2025) requires every lawyer to register each trust account annually, complete an annual self-assessment, and certify compliance — and the Bar runs CPA compliance reviews of selected lawyers. Retention is 5 years, counted from final disbursement. Build CTAPP dates into the annual calendar, not just the monthly close.

Florida — certificate season is summer. Monthly three-way reconciliation is written into Rule 5-1.2, retention is 6 years, and every lawyer files an annual trust accounting certificate between 1 June and 15 August. Multi-lawyer firms must also keep a written trust account plan naming the lawyers responsible for reconciliations and trust checks. Florida's program is administered by FFLA and is called IOTA, not IOLTA.

New Jersey — the random-audit state. Rule 1:21-6 requires monthly reconciliation (audited as a three-way), 7-year retention, accounts sited in New Jersey titled "Attorney Trust Account," no ATM cards and no overdraft protection — and the Office of Attorney Ethics runs a Random Audit Program that examines firms with no suspicion of wrongdoing. A New Jersey firm's books must be audit-ready every single month.

New York — big state, quiet rule. Retention is 7 years and only a lawyer may be an authorized signatory on the trust account — a bookkeeper can prepare everything but cannot sign. Unusually, Rule 1.15 still contains no express reconciliation duty as of October 2026; courts expect reconciliation anyway, and a NYC Bar proposal (May 2026) would add a three-way reconciliation at least every 60 days. Follow Part 4 monthly and you are ahead of the rule either way.

North Carolina — the signed reconciliation. Rule 1.15-3 requires a monthly bank-statement reconciliation plus a quarterly three-way report, and the lawyer must review, sign, and date the reconciliations. The State Bar's trust-account compliance and random-audit program has run since 1985. Retention: 6 years.

Massachusetts — the 60-day rule and the absolute floor. Rule 1.15 requires the three-way reconciliation no less frequently than every 60 days, and states outright what other states imply: no individual client balance may be negative at any time. Retention: 6 years.

Wisconsin — the printing rule. For an IOLTA account, the transaction register, subsidiary ledger, and reconciliation report must be printed every 30 days and the paper kept 6 years. Digital-only records do not satisfy the rule as written — schedule the print run with the monthly close.

Iowa — expect an unannounced audit. Monthly written "triple reconciliations" are required, the Client Security Commission audits trust accounts unannounced roughly every 3–4 years, and PayPal/Venmo-type platforms and cryptocurrency may not be used with the trust account. Report any trust-account change within 30 days. Retention: 6 years.

South Dakota — statute, audit trigger, December certificate. The whole regime sits in a statute (SDCL 16-18-20.2): monthly reconciliation and comparison to the ledger cards, an annual per-client balance listing, and an annual trust accounting certificate filed 1 December–31 January. There is no

bank overdraft-notification rule — instead, a trust check returned for insufficient funds is itself statutory cause for a Disciplinary Board audit. Retention: 6 years.

Texas — tell TAJF, and rely on your own controls. Notify the Texas Access to Justice Foundation within 30 days of opening or closing an IOLTA account and certify status annually. Texas has no bank overdraft-notification rule and no express reconciliation rule — the State Bar advises monthly reconciliation as guidance. Retention: 5 years.

Ohio — the early clock. Seven-year retention runs from termination of the representation OR appropriate disbursement, whichever comes first — earlier than most states start counting. Do not import another state's destruction dates into an Ohio file.

The four opt-out states — Alaska, Kansas, Nebraska, Wyoming. A lawyer may opt out of IOLTA participation, but client funds still belong in a separate trust account with full records (5-year retention in each). Opt-out is a choice about where interest goes, never about whether to keep trust books.

Sources and how far to trust them

State entries rest on the ABA Commission on IOLTA's status page and program directory, the ABA Center for Professional Responsibility's overdraft-notification chart, and the state rules, bar handbooks, and regulator pages cited in the research file behind this handbook (October 2026). Two honest limits: the overdraft chart is dated October 2019 — no adoption since then was found for Mississippi, South Dakota, or Texas, but a 2026 change there cannot be excluded from these sources; and the retention figures flagged † and ‡ in the table rest on model-rule text or state guides rather than the rule page itself. Six states' program details (Alaska, Kansas, Maine, Tennessee, Utah, West Virginia) are sourced to the ABA directory rather than a state page. Before this handbook drives a records-destruction schedule or a filing calendar, confirm the entry against your state bar's current rule — and tell us what you find, so the next edition improves.

Put this handbook to work

TaxWizardUSA's attorney practice — coordinated by **Marufa Akter, Nationwide Attorney Specialist** — cleans up law firm books, runs monthly bookkeeping on QuickBooks Online or Xero with client ledgers and monthly three-way reconciliation, and files the organization's federal tax return. Monthly bookkeeping from \$275; cleanup from \$495.

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