Business vs Personal: How to Record It

The everyday transactions owners most often record the wrong way.

These mix-ups change your profit, and often your tax bill. Use this as a quick guide when you categorize, and ask your CPA about the tax side.

RECORD IT LIKE THIS

Transaction	Record it as	Not as
You pay yourself (sole prop, LLC, partnership)	Owner's draw	An expense
You pay yourself as an S corp owner	Payroll (wages)	Owner's draw
You put personal money into the business	Owner's contribution	Income
You receive a loan	Loan liability	Income
You make a loan payment	Principal to the loan; interest to Interest Expense	One full expense
You move money between your own accounts	Transfer	Income or expense
You pay the business credit card bill	Transfer to the card account	An expense (already recorded)
Owner's federal estimated tax payment (sole prop, partnership)	Owner's draw	Tax expense
A personal purchase on the business card	Owner's draw	A business expense
A business purchase on your personal card	Expense plus owner's contribution	Leave it out
A large equipment purchase	Fixed asset (ask your CPA)	Office supplies
A refund from a vendor	Reduce that expense	Income

FOUR HABITS THAT PREVENT MOST MIX-UPS

- [ ] Use one business bank account and one business card only for the business
- [ ] Write a short memo on anything unusual
- [ ] Keep the receipt for every business purchase
- [ ] When unsure, park it in Ask My Accountant instead of guessing

Want this done for you? Certified accountants, QuickBooks Online and Xero. **accountingtouch.com/contact**

General information for US small businesses, not tax or legal advice. Please confirm how it applies to you with your CPA.