

Personal Loan to the Business

Any time you run a business you will find yourself spending cash out of your pocket or paying a company bill with personal funds because it's convenient or the company is currently a little short of cash. This leads to double taxation problems if the proper paper trail is not in place.

You must report all monies paid from the business to you as personal income. Let's make this ridiculous for a moment for the purpose of understanding. You start a brand new year for tax purposes and the first thing you do is write a check for \$1,000 from left over last years already taxed income to yourself from the business as spending money. Now you deposit that money into the company account and write yourself another check for another \$1,000. You continue to do this twice a day for the first month. During that entire time the company never earned any other money from any other source. As far as the IRS is concerned your company just received and paid to you \$60,000 in income and you are liable for the taxes on the entire amount.

Why? Because the IRS doesn't know where the money came from and without proper documentation it must be considered income to the business and thus income to you.

All it take is a simple form documenting the source of funds to the company and when that money is repaid to you. That's what this form is for. To keep you out of trouble. Any time you pay for something out of your pocket, keep the receipt and turn it in to the company as a loan for repayment on this form. If you actually put money into or pay a company bill out of personal funds use this form. It's that simple. If someone else does any of this, they do the same thing so that the money paid for the company is NOT considered taxable income and the money repaid to the person is NOT considered taxable income. Without this system, if your staff person pays for some item for the practice in any form and you repay them out of petty cash or by writing a check you and they are liable for taxable income.

Sound ridiculous? Not to the IRS!

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The following items have been paid for out of personal funds by _____ and will be considered a loan to the business of _____. Attached hereto are receipts for the items paid for or a detailed summary of the cost paid including date and approximate time, specific item or items, purpose for the business, cost and any other individuals involved or witness to the transaction (business lunch, etc.).

Loan reimbursement will be made at the discretion of the business and may not be made on demand by the above named individual. If not paid by the end of the fiscal year the loan will be carried over as a debt of the business. No interest will be paid on any unpaid amount unless agreed to before the transaction by a majority of the ownership of the business and the above named individual.

The following items are included in this loan:

Date / Time	Item	Purpose	Participants	Type of Receipt	Cost

TOTAL _____

Receipts are attached

Receipts are NOT attached

Signature _____ Date _____

REPAYMENT

Repayment has been made in the amount of \$_____ on _____, 20__.

Paid by _____ Received by _____