

# BUSINESS CREDIT CARDS

## BUSINESS ADVISORY ACTIONABLE PRINCIPLES

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## BUSINESS CREDIT CARDS

### Credit cards

- » It is a good idea to have more than one credit card for the business to use
- » You can have multiple cardholders on one account in most cases
- » Avoid charging personal items on the business credit card

### Best Practices

- » Card should be in the Business name and TIN
  - Your personal name can be on the card
  - If you are not able to secure a business credit card, use a personal card and designate it for business use

## Benefits

- » Allow you to purchase goods now and pay later ("float")
  - Helps business cash flow
  - Important to pay in full monthly to avoid high interest rates
- » Typically have more protection against fraud than business debit card
- » Corporation and LLC cards are typically not reported on personal credit report
- » Business credit cards often have perks that can benefit the business



## BUSINESS CREDIT CARDS

### Debit cards

- » Easy to get and use where typical credit cards are accepted
- » Purchase is deducted directly from the business checking account
    - Like writing a check
    - No interest charged on transactions
    - Not a loan you pay back later
    - Funds are limited to balance in bank account
  - » Does not build credit history for the Corporation/LLC

- » Management of expenses typically is more difficult
    - Most credit card companies provide tools to manage and manipulate the credit card data
  - » Points or rewards are not typically available on debit cards



## TRANSACTION REPORTING

### Tips for recording credit card expenses



#### Charges on credit card statements

- All credit card expenses are deductible from the date of charge or when you take possession of the item
- All credit card charges need to be itemized out into different expense categories
- Interest paid on a business credit card for business expenses is deductible



#### Payments on credit card statements

- Your credit card payment is not the tax deduction - *the item you purchase is*
- Payment is a reduction of the liability to pay

## PERSONAL GUARANTEE

### What is a “Personal Guarantee?”

- » The Corporation/LLC may not have generally credit history
  - You will need to “Co-Sign” for the Corporation/LLC
  - You will need to sign for the business using your personal credit history
  - This will help determine the amount of the credit limit for the Corporation/LLC to start the account
- » The owners of the business are ultimately responsible for payment



#### Note on Personal Guarantee in reverse

- Do you extend credit to your customers?
- Same principle applies
- If payment is not made to you – who is ultimately responsible



## FAQS

### » Is it hard for a new LLC to get a credit card?

» Generally, you can qualify for a business credit card based on your personal credit history. We recommend applying for a business credit card with the same financial institution as your business checking account.

### » Should I carry a balance on my business credit card?

» Credit cards can help your business by quickly raising capital. Banks make little money off exchange fees, but they make much more when their customers get into a cycle of debt. You should only use credit cards if you can do so without carrying a balance from month to month.

### » Are credit card rewards tied to business credit cards considered taxable income?

» When the points or rebates are based on spending on a business card for purchases, there is no additional taxable income. Instead, the rewards are considered discounts on the purchases charged on the card

