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title: "Owner Investment Documentation Kit"

description: "Promissory note template, equity contribution letter, and journal entry examples for documenting owner investments in your business."

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## Owner Investment Documentation Kit

Use these templates every time you put personal money into your business. Proper documentation protects you in an audit, keeps your books clean, and ensures the right tax treatment.

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### Template 1: Owner Equity Contribution Letter

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Use this when you're contributing money as equity (increasing your ownership stake, not creating a loan).

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#### **OWNER EQUITY CONTRIBUTION LETTER**

Date: [DATE]

To: [BUSINESS LEGAL NAME]

From: [YOUR FULL LEGAL NAME], [Owner / Member / Sole Proprietor]

**Re: Equity Capital Contribution**

I, [YOUR NAME], hereby contribute the following to [BUSINESS NAME] as an equity capital contribution:

- **Amount:** \$[AMOUNT]
- **Date of Transfer:** [DATE]
- **Source Account:** [BANK NAME] ending in [LAST 4 DIGITS]
- **Destination Account:** [BUSINESS BANK NAME] ending in [LAST 4 DIGITS]
- **Method:** [Wire / ACH / Check # \_\_\_]

**Classification:** This transfer is an owner equity contribution, not a loan. No repayment obligation is created. This contribution increases my capital account / owner's equity in the business.

**Purpose:** [General working capital / Equipment purchase / Inventory / Specific purpose]

**Ownership Impact:**

- No change to ownership percentages
- Ownership percentages adjusted per operating agreement Section \_\_\_\_

Signed: \_\_\_\_\_

Name: [YOUR NAME]

Date: [DATE]

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*For multi-member LLCs: Have all members sign acknowledging the contribution, or attach a member resolution approving it.*

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## Template 2: Promissory Note for Owner Loan

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Use this when you're lending money to your business (the business will repay you with interest).

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### PROMISSORY NOTE

**Principal Amount:** \$[AMOUNT]

**Date of Note:** [DATE]

**Maturity Date:** [DATE — typically 1-5 years]

**Borrower:** [BUSINESS LEGAL NAME]

EIN: [EIN]

Address: [BUSINESS ADDRESS]

**Lender:** [YOUR FULL LEGAL NAME]

SSN: [Last 4 only, or reference on file]

Address: [YOUR ADDRESS]

### 1. Promise to Pay

For value received, Borrower promises to pay to Lender the principal sum of \$[AMOUNT] ("Principal"), together with interest on the unpaid Principal balance at the rate specified below.

### 2. Interest Rate

Interest shall accrue at a fixed annual rate of [RATE]% per annum, calculated on the outstanding principal balance. [This rate meets or exceeds the IRS Applicable Federal Rate (AFR) for [short/mid/long]-term loans as of [MONTH/YEAR].]

*Current AFR reference: Check <https://www.irs.gov/applicable-federal-rates> for the month of the loan. Use at minimum:*

- *Short-term (≤3 years): [X.XX]%*
- *Mid-term (3-9 years): [X.XX]%*
- *Long-term (9+ years): [X.XX]%*

### 3. Repayment Schedule

- Monthly payments** of \$[AMOUNT] beginning [DATE], with final payment on [MATURITY DATE]
- Quarterly payments** of \$[AMOUNT] beginning [DATE]
- Annual payments** of \$[AMOUNT] beginning [DATE]
- Interest-only** payments of \$[AMOUNT] per [month/quarter], with principal due at maturity
- Balloon payment** — full principal + accrued interest due on [MATURITY DATE]

Payments are due on the [1st / 15th] of each [month/quarter/year].

### 4. Prepayment

Borrower may prepay this Note in whole or in part at any time without penalty.

### 5. Default

The following constitute events of default:

- Failure to make any payment within [15/30] days of its due date

- Borrower's dissolution or bankruptcy

Upon default, the entire unpaid Principal and accrued interest shall become immediately due and payable at Lender's election.

## 6. Security

- This Note is unsecured
- This Note is secured by: [DESCRIBE COLLATERAL]

## 7. Governing Law

This Note shall be governed by the laws of the State of [STATE].

## 8. Signatures

BORROWER:

Signed: \_\_\_\_\_

Name: [YOUR NAME], on behalf of [BUSINESS NAME]

Title: [Owner / Managing Member / President]

Date: [DATE]

LENDER:

Signed: \_\_\_\_\_

Name: [YOUR NAME], individually

Date: [DATE]

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*Yes, you sign both sides if you're the owner and the lender. This feels weird. Do it anyway. The IRS wants to see that the business and you are treated as separate parties.*

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## Template 3: Member/Board Resolution for Owner Investment

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Use this for multi-member LLCs or corporations to formally authorize the investment.

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**RESOLUTION OF [MEMBERS / BOARD OF DIRECTORS]**

**[BUSINESS LEGAL NAME]**

**Date:** [DATE]

**RESOLVED**, that the [Members / Board of Directors] of [BUSINESS NAME] hereby authorize and approve the following:

**Type of Investment:**

- Equity capital contribution of \$[AMOUNT] from [MEMBER/SHAREHOLDER NAME]
- Loan of \$[AMOUNT] from [MEMBER/SHAREHOLDER NAME] on the terms set forth in the attached Promissory Note

**Terms:**

- Amount: \$[AMOUNT]
- Date: [DATE]
- [For loans: Interest rate of [X]%, repayment over [X] months/years per attached Promissory Note]
- [For equity: Capital account of [MEMBER NAME] to be credited \$[AMOUNT]; ownership percentages [remain unchanged / adjusted to \_\_\_\_]]

**Authorization:**

[NAME], as [Title], is authorized to execute any documents necessary to effectuate this investment and to deposit funds into the company's operating account at [BANK NAME].

**Vote:**

- [MEMBER 1 NAME]: [For / Against / Abstain]
- [MEMBER 2 NAME]: [For / Against / Abstain]
- Result: [Approved / Not Approved]

Signed: \_\_\_\_\_

[NAME], [Title]

Date: [DATE]

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## Journal Entry Examples

### Equity Contribution — Sole Proprietor / Single-Member LLC

*You transfer \$10,000 from personal savings to your business account.*

Date	Account	Debit	Credit
[DATE]	Cash (Business Checking)	\$10,000	

[DATE]	Owner's Equity — Capital Contributions		\$10,000
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**Memo:** Owner equity contribution. Source: Personal savings account at [BANK] ending [XXXX]. See contribution letter dated [DATE].

### Owner Loan — Recording the Loan

*You lend your LLC \$25,000 at 5% annual interest, payable monthly over 3 years.*

Date	Account	Debit	Credit
[DATE]	Cash (Business Checking)	\$25,000	
[DATE]	Notes Payable — Owner		\$25,000

**Memo:** Owner loan per Promissory Note dated [DATE]. Terms: \$25,000 at 5% over 36 months. Monthly payment: ~\$749.27.

### Owner Loan — Monthly Repayment

*Monthly payment of \$749.27 (principal: \$645.10, interest: \$104.17 in month 1).*

Date	Account	Debit	Credit
[DATE]	Notes Payable — Owner	\$645.10	
[DATE]	Interest Expense	\$104.17	
[DATE]	Cash (Business Checking)		\$749.27

**Memo:** Monthly loan repayment #1 per Promissory Note dated [DATE].

### Capital Contribution — S-Corp

*You contribute \$15,000 to your S-Corp for additional shares (100 shares at \$1 par value).*

Date	Account	Debit	Credit
[DATE]	Cash (Business Checking)	\$15,000	
[DATE]	Common Stock (\$1 par × 100 shares)		\$100
[DATE]	Additional Paid-In Capital (APIC)		\$14,900

**Memo:** Capital contribution per Board Resolution dated [DATE]. 100 shares issued at \$150/share (\$1 par).

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### Partner Contribution — Multi-Member LLC

*Partner A contributes \$30,000, Partner B contributes \$20,000, per operating agreement.*

#### Partner A:

Date	Account	Debit	Credit
[DATE]	Cash (Business Checking)	\$30,000	
[DATE]	Member Capital — Partner A		\$30,000

#### Partner B:

Date	Account	Debit	Credit
[DATE]	Cash (Business Checking)	\$20,000	
[DATE]	Member Capital — Partner B		\$20,000

**Memo:** Initial capital contributions per Operating Agreement Section [X]. Capital accounts: A = \$30,000, B = \$20,000.

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## Annual Basis Tracking Worksheet

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Track this every year. Your accountant will thank you.

Item	Amount
<b>Beginning Basis</b>	\$ _____
+ Capital contributions this year	\$ _____
+ Loans to company (increases debt basis)	\$ _____
+ Allocated income/gain	\$ _____
– Distributions received	(\$ _____)
– Allocated losses/deductions	(\$ _____)
– Loan repayments received	(\$ _____)

= Ending Basis

\$ \_\_\_\_\_

Stock basis cannot go below zero. Debt basis is tracked separately for S-corps. Excess losses are suspended and carried forward.

## Quick Reference: Which Structure to Use

Situation	Use	Why
Simple funding, don't need money back soon	Equity contribution	Simple, builds basis
Want tax-free repayments over time	Owner loan	Principal repayment = not taxable
Business needs interest deduction	Owner loan	Interest is deductible to the business
S-Corp needs loss deductions	Direct owner loan	Only direct loans create S-corp debt basis
Partnership, disproportionate funding	Loan or adjusted capital accounts	Prevents ownership disputes
C-Corp, maintaining 80%+ control	Capital contribution (Sec. 351)	Tax-free contribution

*This kit is for informational purposes. Consult a CPA or tax attorney for advice specific to your situation.*

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