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Bookkeeping
CLARITY IN EVERY LEDGER

How to Pay Yourself as a Single-Member LLC

Owner's draw, taxes, and staying ready for April.

If you own a single-member LLC, one of the first questions is simple: how do I actually pay myself? The good news is the answer is more straightforward than most people expect, and getting it right keeps your books clean and your taxes calm.

1. You take a draw, not a paycheck

By default, a single-member LLC is taxed like a sole proprietor, which means you and your business are treated as one. So you do not put yourself on payroll and you do not pay yourself a salary. Instead, you take an owner's draw: you simply move money from the business to yourself whenever you need it.

The key thing to know: a draw is not a business expense. It does not lower your profit and it is not tax-deductible. It is just you taking out money that is already yours.

2. You are taxed on profit, not on what you take out

Here is the part that surprises people. Your tax bill is based on your business's profit, not on how much you draw. Whether you take a little or a lot, you are taxed on what the business actually earned.

On that profit you owe income tax, plus self-employment tax of about 15.3 percent, which covers Social Security and Medicare. Because no one withholds it for you, you pay it yourself, usually four times a year as estimated taxes.

3. Set money aside so April is boring

Since taxes are not taken out of a draw, you set them aside yourself. A common starting point is moving 25 to 30 percent of your profit into a separate savings account as you go. Your tax professional can fine-tune the right number for your situation, but the habit is what matters.

Your clean setup, in four steps

- ✓ **Separate your money.** Open a business checking account and card, and keep personal spending out of it.
- ✓ **Pay yourself by draw.** Move money from the business account to your personal account as an owner's draw.
- ✓ **Save as you earn.** Send a set percentage of profit to a tax-savings account every month.
- ✓ **Pay quarterly.** Make your estimated tax payments on time, four times a year.

When the S-corp question comes up

As your profit grows, you may hear about electing S-corp status to save on self-employment tax. It can genuinely be worth it, but only above a certain profit level, and it means putting yourself on a real payroll with a reasonable salary. It is a tax-planning decision to make with your CPA, not a default setting. We will flag it for you when your numbers get to the point where it is worth the conversation.

How we help

We record your draws correctly, as equity rather than expenses, give you a clean monthly profit number, and calculate your quarterly tax set-aside. So you always know what you truly earned and exactly what to put away. No shoebox, no April surprise.

Questions about your own setup? Your first look is free.

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