



Corporations and Limited Liability Companies

SUPPORT BUSINESS & PROMOTE EMPLOYMENT

Employers who pay wages of \$1000 or more in a calendar quarter or employ one or more individuals in any part of 18 separate weeks during any calendar year, must register with the Employment Department, file quarterly tax reports, and pay unemployment insurance taxes.

Agricultural and domestic (household) employers have different criteria to become subject to Employment Department Law.

The amount of remuneration paid to corporate officers, even if the officers are excluded from UI coverage, is to be included in determining whether an employing unit meets the subjectivity requirements for Agricultural employment.

Individuals who are hired and paid for services are employees. Their pay for services is taxable wages unless specifically excluded by law. Wages, including draws, are reported in the quarter paid.

Listed below is general tax information on certain types of employment and compensation common in corporations or limited liability companies.

CORPORATIONS

Corporations must report and pay unemployment insurance taxes on amounts paid to individuals for services rendered. This includes amounts paid to corporate officers and shareholders.

Compensation paid by professional corporations and subchapter S corporations is considered the same as compensation paid by a C corporation.

Dividends, distributions, and draws paid to corporate officers or shareholders may be taxable wages to the extent they are part of reasonable compensation for services rendered.

Loans or repayment of loans to corporate officers or shareholders are not taxable wages, if properly documented and recorded. Otherwise, these payments may be considered taxable wages to the extent they are part of reasonable compensation for services rendered.

Fees paid to directors of a corporation for serving on its board are not taxable wages for UI Tax purposes. However, if a director is also an employee, remuneration for all other services are wages subject to UI Tax.

CORPORATE OFFICER EXCLUSION

Closely held family corporations may elect to exclude from unemployment insurance corporate officers who are directors, stockholders, and family members, and who have substantial ownership in the corporation. Those eligible for the exclusion must be members of the same family and who each bear one of the following relationships to one of the others: parents, stepparents, grandparents, spouses, registered domestic partners, sons-in-law, daughters-in-law, brothers, sisters, children, stepchildren, adopted children or grandchildren. A single member corporate officer/director is not eligible for the exclusion. To qualify for the family corporate officer exclusion, an election in writing must be made to the Employment Department (Go to www.oregon.gov/EMPLOY/TAX, select

“Download Forms”, and download the Family Corporate Officer Exclusion Request - Form 2578*). If accepted, the exclusions will be effective the first day of the current calendar quarter or of the calendar quarter preceding the calendar quarter in which the request was filed. The Employment Department will notify the employer in writing whether the election is approved or denied.

Excluded family corporate officers are still subject to the Federal Unemployment Tax Act (FUTA) and higher FUTA rates may be required on the wages paid to those individuals.

LIMITED LIABILITY COMPANIES

A Limited Liability Company (LLC) is a legal entity that combines certain features of a partnership with those of a corporation.

An LLC is not liable for unemployment insurance taxes on compensation for services paid to its members.

Please note that there is no familial relationship with a Limited Liability Company. Therefore, only the members are excluded. All other employees are to be reported.

*You can view this file with the Adobe Acrobat Reader, available free.

Questions

If you have questions or need additional information, please contact the Employment Department tax representative in your area or call 503-947-1488. To find your tax representative, view the web page at www.oregon.gov/EMPLOY/TAX/TaxOffices.shtml. TDD/Nonvoice Users 711 or by email at taxinfo@emp.state.or.us. You may also visit our web site at www.oregon.gov/EMPLOY/TAX/.

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