

BUSINESS TYPES IN INSURE OKLAHOMA

Non-Profit – Files a separate company tax return and does not pay any corporate tax. This type of company must have a separate IRS approval (i.e., 501 c (3)). These entities do not file with OESC if they have fewer than 4 employees. Four or more employees require filing with OESC. Non-profit organizations need to provide their 501 c (3).

Churches – File separate tax return. They are exempt from paying income taxes. These entities do not report any employees to OESC and therefore the employees are not covered by unemployment insurance. Day care businesses or other businesses associated with a church need to provide the IRS Dept. of Treasury Determination letter from the exempt organization showing the business is operating under their authority.

Sole Proprietor – Files Schedule C on 1040. They are not incorporated and typically do not file with OESC if the employees are the sole proprietor, spouse, and children under 18. The sole proprietor may have employees outside of family, in which case they must file with OESC for those employees.

Partnership – Files separate tax return. All income and expenses flow through to the partners and show up on the individual partner K-1 forms. K-1 forms are shown on individual's 1040 Schedule E. If the Partnership only has partners, they are not required to file with OESC. If the Partnership also has employees, they must report those employees to OESC. Partnership must provide a list of partners of the partnership along with a copy of partnership agreement.

LLC – Files separate tax return. The type of tax return depends on the type of LLC. LLCs can be partnerships or corporations. With either case, the income, and expenses flow through, to the members, through a K-1 and are shown on the member's 1040 Schedule E. If the LLC only has members, they are not required to file with OESC. If the LLC also has employees, they must report those employees to OESC. LLC must provide a list of members of the LLC along with the LLC certificate.

Corporation – Files separate tax return. There are two types - C and S. C corporations are entities by themselves and therefore pay taxes on earnings. S corporation income and expenses flow through to the owners, through a K-1 and are shown on the owner's 1040 Schedule E. All officer/owners are considered employees. It has happened that a corporation has a president/owner as its only employee, it makes a profit, and it distributes the earnings through dividends instead of wages to avoid federal and state UI taxes. This is not allowed. Wages will be imputed to the president. A corporation must always act through employees and there must be wages if there are revenues. Corporation must provide a list of the owners of the corporation along with the incorporation certificate.

Farms – These entities typically file on the owner's 1040 Schedule F. Farms are exempt from reporting employees if they have less than 10 employees over a 20-week period or if they have less than \$20,000 in wages per quarter.

PC & PLLC – Professional Corporations. Professionals may run their businesses through the corporate form of doing business, but they are restricted in that all stockholders of the company must be licensed professionals of the discipline the company is engaged in. Also, for malpractice purposes, there are special rules that they must follow to obtain insurance and other things. There are also PLLCs or professional limited liability companies. For unemployment tax purposes, the PC is treated the same as regular corporations and the PLLC are treated the same as limited liability companies.

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In General, the first covered employee, of a non-exempt business, that is paid \$1500 in wages in one quarter causes the business to be liable and must report to OESC at that time. Operationally for Insure Oklahoma, this means, any employee that does not show up on OESC records, is either 1: in violation of the law, or 2: an uncovered employee (i.e. church worker, sole proprietorship family member) or 3: is paid as a contract worker (i.e. 1099). If they are a 1099 worker, they are not eligible for IO ESI.

NOTE: If a small business doesn't file with OESC and a former worker files a claim – the business will get a wage objection audit which is performed by OESC. If the business is found to be not in compliance, OESC will allow the unemployment claim and collect from the business the back taxes owed along with penalties and interest.