

Employment and Wage Reporting for Employers

Individual or Partnership (Family Employment)

An individual owner or individual partners in a partnership are not considered employees and are not reportable to the Division of Employment Security (DES).

When the business is owned by an individual, the services performed by the owner's natural parents, foster-parents, stepparents or spouse, and services performed by the owner's natural, legally adopted, foster and stepchildren under the age of 21 do not constitute employment.

When the business is owned by a partnership, services performed by members of a partner's family must be reported unless the required family relationship exists between the employee and each of the partners.

The exemption for family employment does not apply to the family of the officers or stock holders of a corporation.

Limited Liability Company (LLC)

- LLC taxed as an **individual**: Remuneration paid to the member, his/her spouse, mother, father, or natural, adopted, foster or stepchildren under the age of 21 is not reportable to the DES.
- LLC taxed as a **partnership**: Any person listed as a manager or member will be treated as a partner. His or her remuneration is not reportable to the DES.
- LLC taxed as a **corporation**: Any manager or member performing services will be treated as a corporate officer. His or her remuneration is reportable to the DES. If the member of an LLC is a corporation, any remuneration paid to an officer of the member corporation for services performed for the LLC is reportable to the DES.

Limited Partnership

A **general partner** is not an employee of the limited partnership and any income received is not reportable or taxable as wages to the DES. Remuneration a **limited partner** receives for services performed for a limited partnership is reportable and taxable to the DES.

Limited Liability Partnership

Any person listed as member will be treated as a partner. His or her remuneration will not be reportable to the DES.

Corporate Officers

A corporate officer is an employee of the corporation for Missouri unemployment tax purposes, if the officer performs services and is compensated by the corporation. The corporation must report the amounts on the corporation's quarterly Contribution and Wage Report.

Corporate officers are not considered to be in continuous employment of a corporation just because they are corporate officers. Corporate officers who do not perform services and do not receive remuneration in any form are not considered employees. Corporate officers who perform services of a minor or nominal nature and do not receive consideration or remuneration in any form, and who are not entitled to remuneration for services, are not considered employees.

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A corporate officer may receive payments which have been designated as other than salary or wages. Such payments made to an officer who performs a service may be considered reportable wages.

Stock Transfers

The fair market value of any stock which an individual receives for services as an officer of a corporation constitutes wages at the time the stock is transferred to the individual.

Expense Payments

If an officer incurs expenses while performing services for the corporation and the expenses are properly documented, the DES considers the payment as expense reimbursement. If not properly supported or if the expenses are not work related, the DES considers the payments as wages.

Loan Repayments

Officers' loans to a corporation cannot be a substitute for properly capitalizing the corporation. If an officer/shareholder receives loan repayments, the corporate records need to show an asset transfer at the time the corporate officer made the loan to the corporation. This transfer may be reflected in: a. the corporate minute book; b. a loan agreement between the corporate officer and the corporation showing the principal amount of the loan, the interest to be paid, and a repayment schedule; c. the Notes Payable ledger; d. a deposit slip showing the amount claimed as a loan from a corporate officer deposited into the corporate bank account. The corporate officer making the loan should have a canceled check, copy of a bank draft, cashier's check receipt, or some other documentation showing the officer transferred the amount to the corporation.

Dividends

Properly declared dividends are not reported as wages. Properly declared dividends must be reflected in the corporate minutes with the following information:

1. Rate of the dividend.
2. Declaration of the dividends by the board of directors.
3. Distribution of dividends to officers and all other shareholders on a prorated basis.

Subchapter S Corporation

An S corporation is a corporation that qualifies for special status described in Subchapter S of the Internal Revenue Code. Corporations become S corporations by filing an election with the IRS. Normally, officers performing services for an S corporation receive a salary that is reflected in the corporation's payroll records. These payments are reportable wages.

If an officer performing services does not receive a salary, the DES ascertains whether the officer received any reportable compensation from the corporation.

If an officer performing services receives only K-1 distribution or receives a nominal wage for a significant amount of time working, the DES may determine that all or a reasonable amount of the distribution is reportable as wages.

Additional information is available at labor.mo.gov.

IMPORTANT: If needed, call 573-751-1995 for assistance in the translation and understanding of the information in this document.

¡IMPORTANTE! Si es necesario, llame al 573-751-1995 para asistencia en la traducción y entendimiento de la información en este documento.

Missouri Division of Employment Security is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. TDD/TTY: 800-735-2966 Relay Missouri: 711