



National Association of Professional Employer Organizations

# Professional Employer Organizations



# PEOs: What is a PEO?

- Professional employer organizations (PEOs) provide comprehensive HR solutions for small businesses
- Payroll, benefits, HR, tax administration, and regulatory compliance assistance are some of the many services PEOs provide to small and mid-sized businesses across the country
- Employees of small businesses gain access to big-business employee benefits such as: 401(k) plans; health, dental, life, and other insurance; dependent care; and other benefits they might not typically receive as employees of a small company



# PEOs: The Numbers

- The current size of the PEO industry is between \$136 and \$156 billion, as measured in gross revenues
- PEOs provide services to between 156,000 and 180,000 small and mid-sized businesses, employing between 2.7 and 3.4 million people
- There are between 780 and 980 PEOs currently operating in the United States. They employ between 21,000 and 27,000 people internally
- The estimated 2.7 to 3.4 million employees who benefit from PEO services is a number larger than the size of the entire agriculture/forestry industry in the United States (and close to the size of the federal government, the education sector, or the information sector), based on data from the Bureau of Labor Statistics (BLS)

# PEOs: Co-Employment

- Contractual allocation and sharing of certain employer responsibilities between the PEO and the client;
- May assume certain employment responsibilities for specified purposes regarding the workers at the client locations;
- May reserve a right of direction and control of the employees with respect to particular matters;
- Remits wages and withholdings of the client's workers;
- Issues Form W-2s for the compensation paid under its Employer Identification Number;
- Reports, collects and deposits employment taxes with local, state and federal authorities.



# PEOs: Common Misconceptions

- NOT temporary staffing!
- Control and Ownership



# PEOs: Regulatory Framework

- Nearly 40 states require PEO registration, recognize PEO as an employer
- Activity in other states
  - NAPEO Model Act
    - Georgia (HB 333)
    - Massachusetts (SB 1041, HB 3159)
    - Missouri
  - New Jersey Senate Bill 2512
  - Tax credit issues
- Texas House Bill 3150 (2015)



# IRS PEO Certification

- Passed December 2014 – Small Business Efficiency Act
- Statute says CPEO program to open by July 1, 2015, effective January 1, 2016
- CPEO program to open July 1, 2016, effective January 1, 2017



# IRS PEO Certification

- Confirms CPEO can pay federal employment taxes under its EIN
- Protects customers through CPEO's sole liability
- Provides certainty that wage base restart is not necessary for new customers
- Confirms CPEO's FUTA credit for all SUTA paid by CPEO or customer
- Offers clear guidance for CPEO and customer on pass-through of tax credits and employment tax exclusions
- Increased comfort for potential client with use of an IRS certified PEO



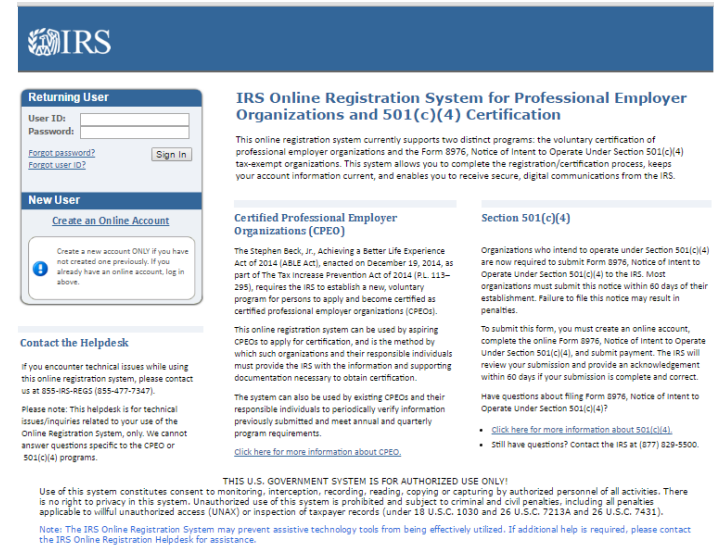


# IRS PEO Certification

- Background Checks
- Quarterly Attestation
- Audited Financials
- Accrual Accounting
- Bond

# What has the IRS released to date?

- Final & temporary regulations
- Proposed regulations
- Revenue Procedure 2016-33
- PEO Certification Website
- **DRAFT** Surety Bond Form 14751
- The PEO certification application
- Responsible Individual Personal Attestation (RIPA)
- Fingerprint cards
- Notice 2016-49
- **DRAFT** Form 8973 with instructions
- Revised Schedule R
- Revised Draft Form 8973
- Revenue Procedure 2017-14



**IRS**

**Returning User**

User ID:

Password:

[Forgot password?](#)

[Forgot user ID?](#)

**New User**

[Create an Online Account](#)

Create a new account **ONLY** if you have not created one previously. If you already have an online account, log in above.

**Contact the Helpdesk**

If you encounter technical issues while using this online registration system, please contact us at 855-IRS-REGS (855-477-7347).

Please note: This helpdesk is for technical issues/inquiries related to your use of the Online Registration System, only. We cannot answer questions specific to the CPEO or 501(c)(4) programs.

**IRS Online Registration System for Professional Employer Organizations and 501(c)(4) Certification**

This online registration system currently supports two distinct programs: the voluntary certification of professional employer organizations and the Form 8976, Notice of Intent to Operate Under Section 501(c)(4) tax-exempt organizations. This system allows you to complete the registration/certification process, keep your account information current, and enables you to receive secure, digital communications from the IRS.

**Certified Professional Employer Organizations (CPEO)**

The Stephen Beck, Jr., Achieving a Better Life Experience Act of 2014 (ABLE Act), enacted on December 19, 2014, as part of the Tax Increase Prevention Act of 2014 (PL. 113-295), requires the IRS to establish a new, voluntary program for persons to apply and become certified as certified professional employer organizations (CPEOs).

This online registration system can be used by aspiring CPEOs to apply for certification, and is the method by which such organizations and their responsible individuals must provide the IRS with the information and supporting documentation necessary to obtain certification.

The system can also be used by existing CPEOs and their responsible individuals to periodically verify information previously submitted and meet annual and quarterly program requirements.

[Click here for more information about CPEO.](#)

**Section 501(c)(4)**

Organizations who intend to operate under Section 501(c)(4) are now required to submit Form 8976, Notice of Intent to Operate Under Section 501(c)(4) to the IRS. Most organizations must submit this notice within 60 days of their establishment. Failure to file this notice may result in penalties.

To submit this form, you must create an online account, complete the online Form 8976, Notice of Intent to Operate Under Section 501(c)(4), and submit payment. The IRS will review your submission and provide an acknowledgment within 60 days if your submission is complete and correct.

Have questions about filing Form 8976, Notice of Intent to Operate Under Section 501(c)(4)?

- [Click here for more information about 501\(c\)\(4\).](#)
- Still have questions? Contact the IRS at (877) 829-5500.

**THIS U.S. GOVERNMENT SYSTEM IS FOR AUTHORIZED USE ONLY!**

Use of this system constitutes consent to monitoring, interception, recording, reading, copying or capturing by authorized personnel of all activities. There is no right to privacy in this system. Unauthorized use of this system is prohibited and subject to criminal and civil penalties, including all penalties applicable to willful unauthorized access (UNAX) or inspection of taxpayer records (under 18 U.S.C. 1030 and 26 U.S.C. 7213A and 26 U.S.C. 7431).

Note: The IRS Online Registration System may prevent assistive technology tools from being effectively utilized. If additional help is required, please contact the IRS Online Registration Helpdesk for assistance.



# IRS PEO Certification

- IRS approved first PEO applications on June 1
- 84 PEOs approved
- Certified PEOs to be published on IRS website by July 15
- Prior to Certification, the IRS released
  - Final Form 8973
  - Final bond form
  - Guidance on post certification issues

# For More Information: Visit the IRS website on PEO Certification



The screenshot shows the IRS website interface. At the top, there are navigation links for Subscriptions, Language, and Information For... A search bar is also present. Below the navigation is a menu with categories: Filing, Payments, Refunds, Credits & Deductions, News & Events, Forms & Pubs, Help & Resources, and for Tax Pros. The main content area is titled "How Do I Apply for Professional Employer Organization Certification?". A blue information icon indicates that the IRS has begun accepting applications for PEO certification. A text box provides details about background and suitability checks, submission instructions, and contact information for the Internal Revenue Service Submission Processing Center in Austin. It also mentions that photocopies of fingerprint cards are not acceptable and that applications must be completed through the IRS Online Registration System. A "CPEO Application" button with a "Login" link is visible. At the bottom, a three-step process is outlined: 1. Individual Identity Verification, 2. Responsible Individual Personal Attestation, and 3. Certified Professional Employer Organization.

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Enrolled Agents  
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Annual Filing Season Program Participants  
Professional Employer Organization Certification (CPEO)

CPEO Program

- CPEO Home
- About the CPEO Program
- How Do I Apply?
- Help

**CPEO Application**

Login

## How Do I Apply for Professional Employer Organization Certification?

The IRS has begun accepting applications for PEO certification. Please check this website regularly for updates on the application process and requirements.

Background and suitability checks will be conducted on all responsible individuals. All responsible individuals need to submit fingerprint cards for the criminal background check to be conducted. Fingerprint cards and instructions can be obtained by emailing [submitable.cpeo@irs.gov](mailto:submitable.cpeo@irs.gov) and putting CPEO FINGERPRINT in the subject line. Fingerprint cards will be mailed to the requestor. Fingerprints must be taken by a trained specialist (i.e. police department, sheriff's office), and mailed back to:

Internal Revenue Service  
Submission Processing Center - Austin  
3851 S. IH-35, Stop 6380 AUSC  
Attn: CPEOPPC  
Austin, TX 78741

Photocopies of fingerprint cards are not acceptable.

CPEO applicants must complete an application through the IRS Online Registration System. Both the CPEO applicant and its responsible individuals must complete portions of the application. A "responsible individual" is generally an individual who (1) owns at least 33 percent of the CPEO applicant, (2) is a director, officer, managing member, or sole proprietor; or (3) controls, manages, or supervises the CPEO applicant, its operations, finances, or federal employment tax compliance. See the [proposed regulations](#) for the full definition of "responsible individual."

The portions of the application that relate to the CPEO applicant must be completed and submitted under penalty of perjury by the CPEO applicant's designated application submitter. Any responsible individual who is legally authorized to receive the CPEO applicant's return information is authorized to serve as the application submitter.

For more information about the application process, see [Revenue Procedure 2016-33](#) and the [CPEO FAQs](#).

### How Do I Apply?

The sequence for completing an application for certification is:

- [Individual Identity Verification](#)
- [Responsible Individual Personal Attestation \(RIPA\)](#)
- [CPEO Application](#)

After you have completed the three phases of the application process, you will be notified via the online system that your application paperwork was received and you will be able to print a summary of that information for your records.

- 1 Individual Identity Verification**
- 2 Responsible Individual Personal Attestation**
- 3 Certified Professional Employer Organization**



# Contact Information

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