
# IRS Updates FAQs, Releases Draft Form 8973 and Instructions on CPEO/Customer Reporting

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The IRS has updated its FAQs again. The updates track with the latest guidance and cover several issues about which we have received many questions, such as transitional relief regarding working capital, clarification around CPA requirements, and the ability of sole proprietors and disregarded entities to apply for certification. Other changes/clarifications cover contacts for correcting submissions, sample language for statements under penalties of perjury, and bonding.

Here is a link to the FAQs on the IRS site and also a link to a redline showing the latest changes.
Also, the IRS has released Draft Form 8973 Certified Professional Employer Organization/Customer Reporting Agreement and Instructions.

The Form 8973 is designed to notify the IRS that a service contract between a CPEO and a customer has started or ended. The instructions include the following requirements:

- The IRS will require that the CPEO use the form to report both qualified CPEO contracts defined in Code section 7705(e) and “traditional” PEO service agreements described under Regulations section 31.3504-2(b)(2).
- Form 8973 will:
  - Identify the customer that started or ended a service contract with the CPEO;
  - Identify the CPEO that started or ended a service contract with the customer;
  - Identify the forms that the CPEO will file or will stop filing on behalf of the customer; and,
  - Allow the CPEO to consent to the disclosure of tax information to the customer.
- The draft instructions indicate that a CPEO must file Form 8973 “within X days of starting or ending a service contract with a customer,” i.e., the IRS has not yet determined how quickly the Form 8973 must be filed.
- The draft form requires that it specify the years to which it applies and that the maximum period will be 3 years or 12 quarters. At that point a new Form 8973 would have to be filed.
- This form requires the customer’s signature.

NAPEO will be filing comments on Draft Form 8973 and the related instructions. Please share your comments, questions and concerns with NAPEO General Counsel Farrah Fielder or NAPEO Vice President of Federal Government Affairs Thom Stohler.

If you have specific questions about certification and how its specific requirements affect your PEO, you should contact an outside counsel, accountant, or other trusted business advisor.



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