



THE POWER OF PEOs

**FUELING JOBS, GROWTH &
COMPLIANCE**





PEOs SUPPORT THE FOUNDATION OF THE US ECONOMY: SMALL BUSINESSES

PEOs provide payroll, benefits, workers' comp, regulatory compliance assistance and other HR services to more than 230,000 small and mid-size businesses employing 4.5 million people nationwide.

PEOs handle back-office administrative tasks that can bog down a business, allowing them to focus on their core mission, profitability and growth. They also give employees and their families access to HR expertise and Fortune 500-level benefits at an affordable cost, improving employee retention and engagement.



KEY STATS



Businesses that use a PEO:

230,000



Jobs supported by PEOs:

4.5 million



Employers with 20-499 employees that use a PEO:

14%



ROI of using a PEO:

27% in costs savings alone



Industry revenue:

400+ billion



Businesses using PEOs experience:

2X
faster growth

12%
lower turnover

50%
lower likelihood of going out of business





HR 3223: IMPROVING THE PAYROLL TAX CREDIT PROCESS FOR SMALL BUSINESSES

A bipartisan coalition of nearly two dozen representatives co-sponsors the legislation introduced by Rep. Beth Van Duyne (R-TX) and Rep. Mike Thompson (D-CA).

This legislation makes clear the liability for payroll tax credit claims—like the Employee Retention Tax Credit (ERTC)—made by PEO clients belongs to the entity that initiates and benefits from the claim. The IRS believes certified PEOs (CPEOs) are solely liable and PEOs are jointly liable for ERTC credits taken on their amended tax returns. This interpretation is inconsistent with the CARES Act and congressional intent in creating such tax credits. Further, PEOs do not have access to the information needed to verify the eligibility of their clients for payroll tax credits.

BENEFITS OF H.R. 3223

Speeds up the payroll tax credit process for the small businesses PEOs serve and clarifies liability for improper claims.


Saves the government billions of dollars by deterring tax fraud and discouraging false filings.

Ensures that future tax credits will go to the businesses they were intended to help. Without H.R. 3223, thousands of small businesses will face financial hardship while the IRS needlessly holds up money they are lawfully entitled to.

Enables PEOs to better serve small businesses by sensibly resolving ongoing challenges PEOs have with payroll tax credit processing.

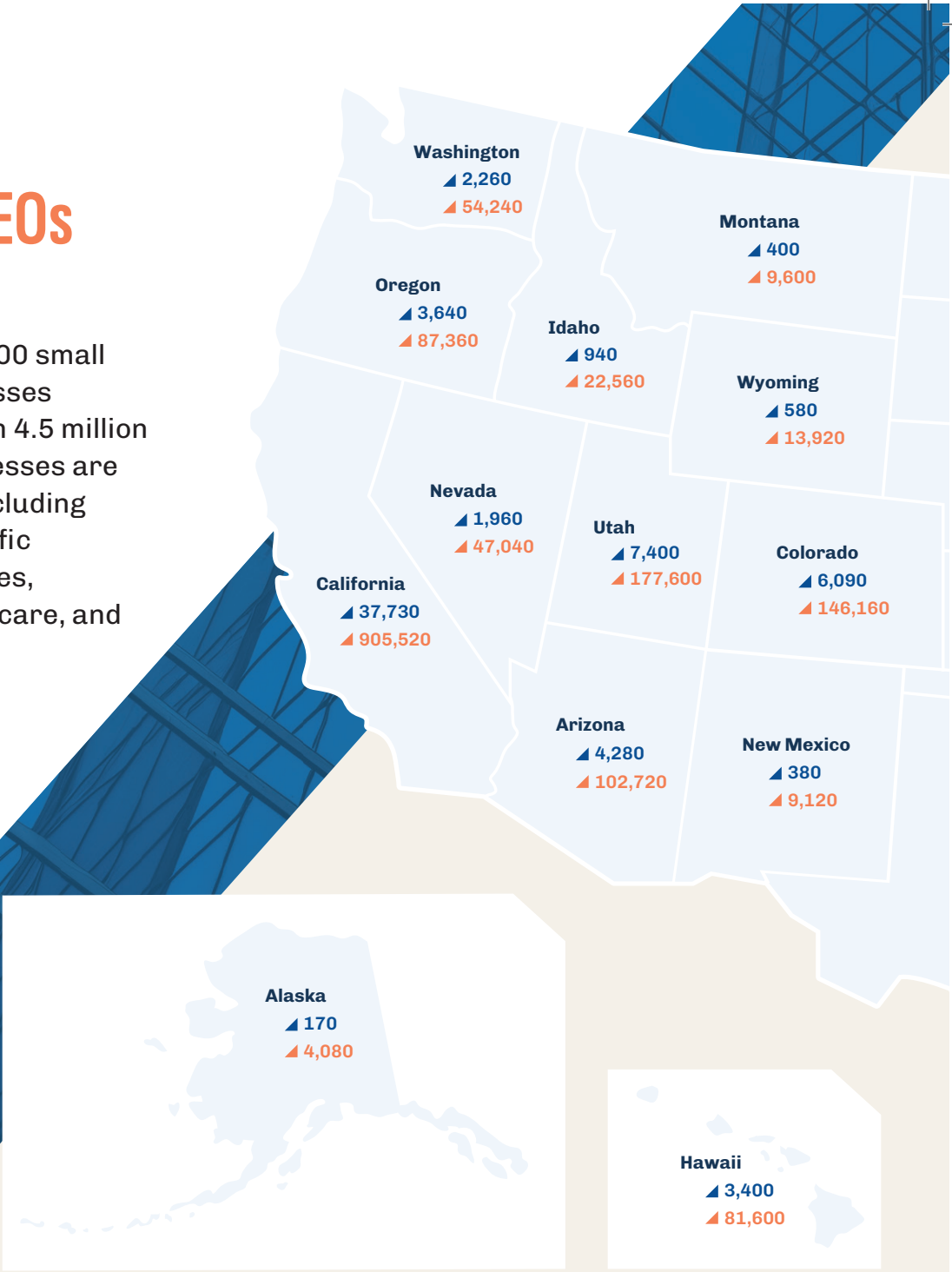


OTHER ADVOCACY GOALS

- ▲ **IRS Modernization.** It's long past time for the IRS to retire outdated technologies like the fax machine and adopt a digital-first approach. Modern technology provides a better taxpayer experience by:
 - Speeding up processing times
 - Tracking claims through the IRS
 - Increasing protection of sensitive taxpayer data
 - ▲ **Protecting Client Data.** The Department of Labor requires each Form 5500—for employer-sponsored benefit plans—filed by a PEO to be published on the DOL's website. This means lists of PEOs' customers are publicly accessible, exposing sensitive client information to cyber and other threats. The DOL should eliminate the requirement for the digital publication of PEO client data to better protect this information.
 - ▲ **Payroll Tax Credit Fairness.** PEOs file client payroll taxes under the PEO's FEIN, so it's important to ensure PEOs are appropriately considered in legislation concerning payroll tax credits. This ensures that PEO clients remain eligible for all tax credits and benefits generally available to other small businesses and hardworking taxpayers.
 - ▲ **Uniformity for PEO-sponsored Health Plans.** A one-sentence fix to federal law (ERISA) would clarify how PEO health plans are treated. The change would create consistent, nationwide rules, making it easier for PEOs to provide Fortune-500 level health benefits to small businesses and their employees and families.
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THE 500+ PEOs IN THE U.S.

support some 230,000 small and mid-size businesses employing more than 4.5 million people. These businesses are in every industry, including professional, scientific and technical services, construction, healthcare, and manufacturing.





LEGEND

 PEO Clients

 Worksite Employees

*estimated



PEOs PROVIDE ACCESS TO ROBUST, FORTUNE-500 LEVEL BENEFIT PLANS

that most small businesses would otherwise be unable to afford. In particular, access to retirement savings plans is a major advantage for employees who partner with a PEO.

Participation rates in retirement savings plans are higher for employees who partner with a PEO than employees who do not.

As Congress explores ways to solve the retirement savings crisis, PEOs should be part of the solution. Partnering with a PEO means hardworking employees are better able to save for the future.

91% of PEOs offer access to a Multiple Employer Plan (MEP).

PEOs handle the back-office tasks related to plan administration ensuring compliance with often complex retirement plan regulations.

▲ **For more information**
about how PEOs support small and mid-size businesses, go to napeo.org