

Federal and State Recognition of the PEO Industry

About the PEO Industry

Professional employer organizations (PEOs) provide human resource services to small and mid-size businesses—issuing wages and remitting taxes, offering workers' comp and risk consulting services, and providing compliance assistance with employment-related rules and regulations. In addition, many PEOs offer HR technology systems and access to 401(k) plans, health, dental, and life insurance, dependent care, and other benefits.

PEOs are recognized as employers at the state and federal level, and they operate in all 50 states.



PEO Recognition at the Federal Level

- The IRS's PEO certification program formally codified PEOs within the tax code. It confirms that certified PEOs can pay federal employment taxes under their EINs.
- The IRS recognized the right of PEOs to withhold and remit federal income and unemployment taxes for worksite employees in section 3511 of the IRS Code.
- IRS regulations confirm the authority of PEOs to provide retirement benefits to workers.

PEO Recognition at the State Level

- More than 40 states provide some form of specific licensing, registration, or regulation for PEOs. These states statutorily recognize PEOs as the employer or co-employer of worksite employees for many purposes, including workers' compensation and state unemployment insurance taxes.
- Even states that do not have PEO licensing or registration laws, such as California, Pennsylvania, Georgia, and Idaho, do have general regulations or laws that recognize and regulate PEOs.



PEOs in Oregon

- PEOs have safely and successfully operated in the state of Oregon for more than 30 years, providing payroll, benefits, and HR services to more than 3,000 small and mid-size businesses in the state, employing 31,000 people.
- The current statute (in effect since 1993) allows PEOs (also known as worker leasing companies) to provide workers' compensation for their worksite employees.