



Advantages of a PEO: Better Compliance



A PEO is a “Professional Employer Organization” which pays your Team Members under the PEO’s Federal Employer Identification Number (EIN). In this way, the IRS recognizes PEO’s as a co-employer with certain administrative responsibilities. This is not the situation with online payroll processing companies. They assume very little compliance responsibility as compared to a PEO. Pinnacle operates as a PEO in almost all 50 states. Many businesses contract with a PEO because of the thousands of employment-related laws and regulations that businesses are expected to follow. Unfortunately, most business owners are unfamiliar with many of these compliance requirements and tend to fall out of compliance. Federal and State government agencies have teams of regulators ready to audit business owners and, potentially, issue fines and penalties.

Better compliance under a PEO occurs in many areas:

Employment Paperwork - The PEO has an established set of new hire forms to help the business stay compliant with requirements. Having the right forms and consistently using the forms helps the business protect itself from many different types of compliance risks. Having forms filled out completely and correctly makes a difference. Often, a government official will ask for copies of all the employment forms as part of any audit, claim or investigation. The official has the authority to identify non-compliance. Some are trained to pass along information to other government agencies. In this way a poorly organized business owner can become a target for multiple reviews from various government agencies. The Federal I-9 form is one form that seems to create risks for business owners. It is best to have a new hire complete all paperwork on the first day of employment, and for the owner to verify the completeness of all forms prior to creating the employment file and submitting forms to Pinnacle for set up and processing.

Employment Verifications and Garnishments - A PEO takes on the responsibility of verifying employment history for current and former Team Members of our client companies. These verifications are very common, particularly for a Team Member applying for a rental lease, buying a car, buying a home, or applying for various types of social services (food stamps, housing assistance, etc.). A Team Member or former Team Member could be involved in a divorce proceeding, or other legal matter, with information being requested via subpoena by an attorney. Child support payments and bankruptcy garnishments follow a strict legal process that requires the employer to comply with court orders and court-mandated procedures. A PEO takes on much of these administrative burdens, well beyond what an online payroll company would do.

Year End Reporting – A PEO takes on the responsibility for end-of-year reporting in many areas. The payroll tax reporting is just one of those areas. That includes W2's, W3, 940, 941, State payroll reports, etc. The W2 process creates additional duties for the PEO, which handles W2 reprints, W2 corrections, and the contact with Team Members and former Team Members to coordinate. Other annual reports are required by other government agencies. A few of these are annual benefit reports, EEOC report, State-specific employment data, OSHA reporting, Affordable Care Act reporting, Retirement Plan reporting, Labor Law posters, workers compensation audits and other requirements.

Businesses who drop a PEO to try an online payroll service usually find that they are spending a lot more hours on administration and compliance work than they were before. Even worse, they find themselves being visited by government regulators investigating for non-compliance. Do you want a government official stopping by and saying "I'm from the government and we're here to help you."