

Professional Employer Organizations

Cross References

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A Professional Employer Organization (PEO) is an organization that handles various payroll administration and tax reporting responsibilities for their business clients. A PEO is typically paid a fee based on payroll costs.

Under legislation enacted in 2014, the IRS is required to establish a voluntary certification program for PEOs. To become and remain certified, PEOs must meet tax status, background, experience, business location, financial reporting, bonding, and other requirements described in regulations that have been recently released by the IRS.

The application process to become a Certified PEO (CPEO) opens on July 1, 2016. A revenue procedure will be released soon providing details on the application process. Subsequently, as required by law, the IRS will publish lists of CPEOs and those whose certification has been revoked or suspended.