



December 22, 2014

## **ADP® Applauds Passage of New Professional Employer Organization Law**

### ***Legislation Formally Recognizes Certified Professional Employer Organizations In the Internal Revenue Code***

**ROSELAND, N.J., December 22, 2014** - [ADP®](#), a leading global provider of Human Capital Management (HCM) solutions, today applauded the enactment of provisions of the Small Business Efficiency Act, which were included as part of the Tax Increase Prevention Act of 2014 and signed into law on December 19, 2014. The legislation, which received broad bipartisan support, amends the Internal Revenue Code to establish a certification program for Professional Employer Organizations (PEOs). The Act codifies the authority of certified PEOs to pay wages to worksite employees and to collect and remit payroll taxes for those wages.

"This is a landmark piece of legislation that will boost the confidence small and mid-sized businesses can have in their PEO partners," said Maria Black, president of ADP TotalSource®. "We welcome IRS certification of qualified PEOs, as not all PEOs participate in industry accreditation and financial assurance programs, such as the Employer Services Assurance Corporation (ESAC), the way ADP TotalSource does. This law sets clear rules and sends a signal that PEOs must adhere to high standards so their clients can enjoy the advantages of the PEO model," Black added.

Once effective, the law will grant certified PEOs successor employer status for FICA and FUTA taxes, eliminating the double taxation that can occur from a wage base restart when a client joins or leaves a PEO mid-year. The Act also confirms that clients of a certified PEO, rather than the PEO itself, can claim certain tax credits related to employment taxes, such as the Work Opportunity Tax Credit.

To qualify for IRS certification, PEOs will have to adhere to specific bonding and independent financial review requirements, and certified PEOs will also have ongoing reporting and recordkeeping responsibilities.

The Act directs the IRS to establish the voluntary PEO certification program prior to the law's anticipated effective date of January 1, 2016.

For the relevant text of the Act, see: <http://www.gpo.gov/fdsys/pkg/BILLS-113hr5771pcs/pdf/BILLS-113hr5771pcs.pdf> (Division B, Section 206)

#### **About ADP TotalSource**

ADP TotalSource is a comprehensive business process outsourcing solution from ADP, a leading provider of human capital management services. As a PEO, ADP TotalSource provides small to mid-sized organizations with an end-to-end human resource solution including guidance from a dedicated HR business partner, compliance assistance with the Affordable Care Act, a flexible human resource management system (HRMS), FORTUNE 500®-caliber benefits and a workers' compensation insurance program. The cloud-powered, mobile-enabled HRMS provides employers and employees on-demand access to a broad array of critical human resource tools and access to services and benefits including talent management, risk management, compliance, health insurance, 401(k) retirement savings plan and other employee benefits solutions. In addition, by virtue of a co-employment relationship, small to mid-sized organizations share responsibility for minimizing employment risk with a world authority on employment.

For additional information about ADP TotalSource, please visit: <http://www.adp.com/solutions/employer-services/totalsource.aspx>

#### **About ADP**

Employers around the world rely on ADP® (NASDAQ: ADP) for cloud-based solutions and services to help manage their most important asset - their people. From human resources and payroll to talent management to benefits administration, ADP brings unmatched depth and expertise in helping clients build a better workforce. A pioneer in Human Capital Management (HCM) and business process outsourcing, ADP serves more than 610,000 clients in 100 countries. [ADP.com](http://www.adp.com).

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