

To Whom It May Concern:

This loan applicant is a client of a professional employer organization (PEO). PEOs provide payroll, employee benefits, human resources, and compliance assistance services to more than 175,000 small business clients with more than 3.7 million employees nationwide. PEOs “co-employ” their clients’ employees. The employees are paid on the PEO’s federal employer identification number (FEIN), not the client’s. Therefore, a PEO client applying for a loan through the Paycheck Protection Program (PPP) will not have a Form 941. However, the FAQs issued on April 6, 2020 by the Small Business Administration and the U.S. Treasury Department expressly state that PEO documentation is acceptable for lenders to use when determining wages and payroll taxes for a PEO client's PPP loan application.

Question 10 of the FAQs states as follows:

Question: What if an eligible borrower contracts with a third-party payer such as a payroll provider or a Professional Employer Organization (PEO) to process payroll and report payroll taxes?

Answer: SBA recognizes that eligible borrowers that use PEOs or similar payroll providers are required under some state registration laws to report wage and other data on the Employer Identification Number (EIN) of the PEO or other payroll provider. In these cases, payroll documentation provided by the payroll provider that indicates the amount of wages and payroll taxes reported to the IRS by the payroll provider for the borrower’s employees will be considered acceptable PPP loan payroll documentation. Relevant information from a Schedule R (Form 941), Allocation Schedule for Aggregate Form 941 Filers, attached to the PEO’s or other payroll provider’s Form 941, Employer’s Quarterly Federal Tax Return, should be used if it is available; otherwise, the eligible borrower should obtain a statement from the payroll provider documenting the amount of wages and payroll taxes. In addition, employees of the eligible borrower will not be considered employees of the eligible borrower’s payroll provider or PEO.

Accordingly, the SBA allows PEO clients to rely on payroll records provided by their PEOs to support the PPP loan application. In accordance with this guidance, the PEO has provided an authenticated payroll record to assist you, the lender, in confirming the client employer’s eligibility for the loan, and the loan amount.



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