

Workers' Comp Basics for Professional Employer Organizations (PEOs)

Ohio law mandates PEOs operating in Ohio register with BWC and requires PEOs to submit GAAP-audited financial statements on an annual basis to the bureau. A PEO is a sole proprietor, partnership, association, limited liability company or corporation that enters into an agreement with one or more client employers to co-employ all or part of the client employer's workforce at the client employer's work site.

PEO registration and financial statements

A PEO must register with BWC within 30 days of commencing operations in Ohio. Please call BWC at **1-800-644-6292** to obtain *The Professional Employer Organization Registration Application (UA-1)*. In addition, an initial \$1,000 registration fee, a yearly \$250 renewal fee is due BWC by Dec. 31 for each PEO policy. PEOs must submit audited financial statements within 180 days of the close of the PEO's fiscal year.

Notifying BWC of a PEO agreement

A PEO must complete and submit the *Professional Employer Organization Client Relationship Notification (UA-3)* for all new PEO agreements or for a change in reporting within 30 days of the agreement's effective date. If the PEO agreement between a PEO and a client employer terminates, the PEO must notify BWC and each client associated with it within 30 days from the effective date of termination. A PEO may only enter into a new PEO agreement, or modify an existing agreement and begin reporting claims and payroll for the client employer on either Jan. 1 or July 1. New client employers entering into a PEO agreement in the middle of a payroll period must be reported on the client policy, until the beginning of the next payroll reporting period.

In a PEO agreement

A PEO that enters into a PEO agreement with a client employer assumes the responsibility of employer of record and shares any liabilities with the client employer. It is the PEO's responsibility to ensure the client employer maintains active workers' compensation coverage as long as it is in a PEO agreement.

Payroll and claims reporting

Under a PEO agreement, the PEO may choose to report all claims and payroll on either the PEO or client policy; or they may chose to enter into a partial agreement, reporting a portion of the payroll and claims under the PEO policy; PEOs engaging in a partial lease must report shared employees' wages under the PEO's federal tax ID number (FEIN) and under the PEO's BWC policy number. **Any payroll reported on the PEO policy must be completed on a monthly basis on BWC's website.**

Rates are impacted

If the PEO selects the option of reporting payroll and claims under its policy, BWC transfers the appropriate experience period payroll and claims to the PEO's policy. BWC also re-calculates its experience modifier to reflect the true nature of historical exposure.

Obligations of a PEO

A PEO must perform all of the following functions: Provide written notice to each shared employee it assigns to a client employer; Pay wages and payroll taxes associated with shared employees as established within the PEO agreement; Maintain adequate employment related records for employees; Maintain complete records, separately listing the payroll and claims of its client employers for each payroll-reporting period; Maintain workers' compensation coverage, pay all workers' compensation premiums and manage all workers' compensation claims, filings, and related procedures associated with a shared employee;

BWC may deny or revoke a PEO's registration if it finds the PEO failed to comply with the requirements of the law or rules.

For more information, log on to **www.bwc.ohio.gov**, click on Ohio Employers, then custom services and then PEO.