

January, 2021

To Whom it May Concern:

This Paycheck Protection Program (PPP) loan forgiveness applicant is a client of Engage PEO, a professional employer organization (PEO). PEOs provide payroll, employee benefits, human resources, and compliance assistance services to hundreds of thousands of small business clients with more than 3.7 million employees nationwide. PEOs “co-employ” their clients’ employees, which means that the employees are paid on the PEO’s federal employer identification number (FEIN), not the client’s. Therefore, a PEO client applying for PPP loan forgiveness will not have a Form 941, but it will have a payroll report provided by the PEO documenting the amount of wages paid to employees.

The Small Business Administration’s loan forgiveness application (Form 3508) expressly allows third-party payroll reports to be submitted in lieu of Form 941:

- A. BANK ACCOUNT STATEMENTS **OR THIRD-PARTY PAYROLL SERVICE PROVIDER REPORTS** DOCUMENTING THE AMOUNT OF CASH COMPENSATION PAID TO EMPLOYEES.
- B. TAX FORMS (**OR EQUIVALENT THIRD-PARTY PAYROLL SERVICE PROVIDER REPORTS**) FOR THE PERIODS THAT OVERLAP WITH THE COVERED PERIOD OR THE ALTERNATIVE PAYROLL COVERED PERIOD:
 - I. PAYROLL TAX FILINGS REPORTED, OR THAT WILL BE REPORTED, TO THE IRS (TYPICALLY, FORM 941); AND
 - II. STATE QUARTERLY BUSINESS AND INDIVIDUAL EMPLOYEE WAGE REPORTING AND UNEMPLOYMENT INSURANCE TAX FILINGS REPORTED, OR THAT WILL BE REPORTED, TO THE RELEVANT STATE.
- C. PAYMENT RECEIPTS, CANCELLED CHECKS, OR ACCOUNT STATEMENTS DOCUMENTING THE AMOUNT OF ANY EMPLOYER CONTRIBUTIONS TO EMPLOYEE HEALTH INSURANCE AND RETIREMENT PLANS THAT THE BORROWER INCLUDED IN THE FORGIVENESS AMOUNT (PPP SCHEDULE A, LINES (6) AND (7)).

Additionally, previously issued guidance on PPP loan applications expressly stated that PEO documentation is acceptable for lenders to use when determining wages and payroll taxes for a PEO client's loan application. Therefore, under existing SBA policy, payroll records provided by a PEO are acceptable to support an application for PPP loan forgiveness.



Patrick J. Cleary
President & CEO